

Offering Memorandum



**InRetail Shopping Malls**

(A Peruvian Trust)

US\$350,000,000

6.500% Senior Notes due 2021

<http://www.oblible.com>

The 6.500% Senior Notes due 2021 offered hereby (the “notes”) were issued by InRetail Shopping Malls, a Peruvian trust (the “Issuer”), acting through its trustee, *Internacional de Títulos Sociedad Titulizadora S.A.* (the “ISM Trustee”). The notes are fully and unconditionally guaranteed (the “guarantees”) by the parent company of the Issuer, InRetail Real Estate Corp., a Panamanian corporation (the “Parent Guarantor”); existing subsidiaries of the Issuer: Interproperties Holding, a Peruvian trust (“Interproperties Holding”), Interproperties Holding II, a Peruvian trust (“Interproperties Holding II”), Real Plaza S.R.L., a Peruvian limited liability company (“Real Plaza”), and InRetail Properties Management S.R.L., a Peruvian limited liability company, formerly Interproperties Peru S.A. (“InRetail Properties” and collectively with Real Plaza, Interproperties Holding and Interproperties Holding II, the “Subsidiary Guarantors,” and together with the Parent Guarantor, the “Guarantors”), and certain of our future subsidiaries in accordance with the terms of the indenture governing the notes.

The notes mature on July 9, 2021. Interest on the notes accrues at a rate of 6.500% per year and is payable semi-annually in arrears on January 9 and July 9 of each year, beginning on January 9, 2015.

We may redeem the notes, in whole or in part, before July 9, 2018 at a redemption price based on a “make-whole” premium. At any time or from time to time on or after July 9, 2018, we may redeem the notes, in whole or in part, at the redemption prices specified under “Description of the Notes—Optional Redemption—Optional Scheduled Redemption.” In addition, in the event of certain changes in applicable tax laws, we may redeem the notes, in whole but not in part, at any time at a price equal to 100% of their principal amount plus any accrued and unpaid interest up to, but excluding, the redemption date.

The notes and the guarantees are the Issuer’s and the Guarantors’ unsecured senior obligations and (i) rank equally in right of payment with all of the Issuer’s and the Guarantors’ existing and future senior unsecured indebtedness, other than obligations for which preferential treatment is given under applicable law, (ii) rank senior in right of payment to all of the Issuer’s and the Guarantors’ existing and future subordinated indebtedness, if any, (iii) will be effectively subordinated to all of the Issuer’s and the Guarantors’ existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness and (iv) will be structurally subordinated to all of the existing and future liabilities (including indebtedness) of the subsidiaries of the Issuer that do not guarantee the notes.

There is currently no public market for the notes. We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and admit them for trading on the Euro MTF Market.

**Investing in the notes involves risks that are described in the “Risk Factors” section beginning on page 15 of this offering memorandum.**

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Price per note: 99.309%

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The notes and the guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), any U.S. state securities laws or the securities laws of any other jurisdiction. The notes may not be offered or sold within the United States or to any U.S. persons, except (a) to qualified institutional buyers (“QIBs”) within the meaning of Rule 144A under the Securities Act (“Rule 144A”), in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A, and (b) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act (“Regulation S”). Any offer or sale of the notes in any member state of the European Economic Area that has implemented Directive 2003/71/EC (the “Prospectus Directive”) must be addressed to qualified investors (as defined in the Prospectus Directive). This offering memorandum has not been approved by a competent authority within the meaning of the Prospectus Directive. For further details about eligible offerees and resale restrictions, see “Transfer Restrictions.”

The notes, the guarantees and the information contained in this offering memorandum have not been and will not be registered with or approved by the Peruvian Superintendency of the Securities Market (*Superintendencia del Mercado de Valores*, or “SMV”) or the Lima Stock Exchange (“LSE”). Accordingly, the notes cannot be offered or sold in Peru, except if such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian securities market law establishes, among other things, that any particular offer may qualify as private if it is directed exclusively to institutional investors. The notes are registered with the Foreign Investment and Derivatives Instruments Registry (*Registro de Instrumentos de Inversión y de Operaciones de Cobertura de Riesgo Extranjeros*) of the Peruvian Superintendency of Banks, Insurance and Private Pension Fund Administrators (*Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones*, or “SBS”) for Peruvian private pension fund investment eligibility, as required by Peruvian law. The notes may not be offered or sold in the Republic of Peru or in any other jurisdiction except in compliance with the securities laws thereof. Therefore, Peruvian investors, as defined by Peruvian legislation, must rely on their own examination of the terms of the offering of the notes to determine their ability to invest in them.

The notes were delivered in book-entry form only through the facilities of The Depository Trust Company (“DTC”) for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System (“Euroclear”), and Clearstream Banking, *société anonyme* (“Clearstream”), on July 9, 2014.

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Joint Bookrunners

**Citigroup**

**Credit Suisse**

August 4, 2014

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You should assume that the information appearing in this offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, properties, financial condition and results of operations may have changed since that date. Neither the delivery of this offering memorandum nor any sale of notes made hereunder shall under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of this offering memorandum.

We have prepared this offering memorandum for use solely in connection with the proposed purpose for which it has been published.

The initial purchasers make no representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers as to the past or future.

This offering memorandum is intended solely for the purpose of soliciting indications of interest in the notes from qualified investors and does not purport to summarize all of the terms, conditions, covenants and other provisions relating to the terms of the notes contained in the indenture being entered into in connection with the issuance of the notes as described herein and other transaction documents described herein. This offering memorandum summarizes certain documents and the other information, and we refer you to those sources for a more complete understanding of what we discuss in this offering memorandum. The market information in this offering memorandum has been obtained by us from publicly available sources deemed by us to be reliable. We accept responsibility only for correctly extracting and reproducing such information.

Neither we nor the initial purchasers are making an offer to sell, or a solicitation of an offer to buy, the notes or the guarantees in any jurisdiction except where such an offer or sale is permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the notes under the laws and regulations applicable to you in force in any

jurisdiction to which you are subject or in which you make such purchases, offers or sales. See “Transfer Restrictions” for information concerning some of the transfer restrictions applicable to the notes. Neither we nor the initial purchasers are responsible for your compliance with those legal requirements.

By accepting this offering memorandum you acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;
- you have not relied on the initial purchasers or their agents or any person affiliated with the initial purchasers or their agents in connection with your investigation of the accuracy of such information or your investment decision; and
- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

We are relying upon an exemption from registration under the Securities Act for an offer and sale of securities which do not involve a public offering. By purchasing the notes, you will be deemed to have made certain acknowledgments, representations and agreements as set forth under “Transfer Restrictions” in this offering memorandum. The notes are subject to restrictions on transfer and resale and may not be transferred or resold except as permitted under the Securities Act, applicable state securities laws and applicable Peruvian law. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See “Plan of Distribution” and “Transfer Restrictions.”

In making an investment decision, prospective investors must rely on their own examination of the Issuer and the terms of the offering, including the merits and risks involved. None of us, the initial purchasers or any of our representatives is making any representation to you regarding the legality of an investment by you under applicable legal investment or similar laws. We are not providing you with any legal, business, tax or other advice in this offering memorandum, and prospective investors should not construe anything in this offering memorandum as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the notes under applicable legal investment or similar laws or regulations.

None of the U.S. Securities and Exchange Commission (the “SEC”), any United States state securities commission or any United States, Peruvian or other regulatory authority has approved or disapproved of these securities or determined if this offering memorandum is truthful or complete. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and admit them for trading on the Euro MTF Market. This offering memorandum constitutes a prospectus for the purposes of Luxembourg law on prospectuses for securities, dated July 10, 2005, as amended.

We confirm that, after having made all reasonable inquiries, this offering memorandum contains all information with regard to us and the notes that is material to the offering and sale of the notes, that the information contained in this offering memorandum is true and accurate in all material respects and is not misleading and that there are no omissions of any facts from this offering memorandum which, by their absence herefrom, make this offering memorandum misleading. We accept responsibility for the information contained in this offering memorandum regarding us and the notes. The opinions and intentions expressed in this offering memorandum regarding us and the notes are honestly held and based on reasonable assumptions.

## NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER RSA 421B WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE NEW HAMPSHIRE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR TRANSACTION MEANS THAT THE NEW HAMPSHIRE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CUSTOMERS, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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## NOTICE TO RESIDENTS OF PERU

THE NOTES WILL NOT BE SUBJECT TO A PUBLIC OFFERING IN PERU. THEREFORE, THIS OFFERING MEMORANDUM HAS NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE PERUVIAN SUPERINTENDENCY OF SECURITIES (SUPERINTENDENCIA DEL MERCADO DE VALORES) OR THE LIMA STOCK EXCHANGE. THIS OFFERING MEMORANDUM AND OTHER OFFERING MATERIALS RELATING TO THE OFFER OF THE NOTES AND THE GUARANTEES ARE BEING SUPPLIED TO THOSE PERUVIAN INVESTORS WHO HAVE EXPRESSLY REQUESTED IT. SUCH MATERIALS ARE STRICTLY CONFIDENTIAL AND MAY NOT BE DISTRIBUTED TO ANY PERSON OR ENTITY OTHER THAN THE INTENDED RECIPIENTS.

THE NOTES ARE REGISTERED WITH THE FOREIGN INVESTMENT AND DERIVATIVES INSTRUMENTS REGISTRY (REGISTRO DE INSTRUMENTOS DE INVERSIÓN Y DE OPERACIONES DE COBERTURA DE RIESGO EXTRANJEROS) OF THE PERUVIAN SUPERINTENDENCY OF BANKS, INSURANCE AND PRIVATE PENSION FUND ADMINISTRATORS (SUPERINTENDENCIA DE BANCA, SEGUROS Y ADMINISTRADORAS PRIVADAS DE FONDOS DE PENSIONES OR “SBS”), IN ORDER TO MAKE THE NOTES ELIGIBLE FOR PERUVIAN PRIVATE PENSION FUND INVESTMENT COMPANIES (AFP), AS REQUIRED BY PERUVIAN LEGISLATION.

INVESTORS, AS DEFINED BY PERUVIAN LEGISLATION, MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING OF THE NOTES AND THE GUARANTEES IN ORDER TO DETERMINE THEIR LEGAL ABILITY TO INVEST IN THE NOTES.

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## NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of securities. Accordingly any person making or intending to make an offer in that Relevant Member State of notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for any of the Issuer, the Guarantors or the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive, in relation to such offer. None of the Issuer, the Guarantors or the initial purchasers have authorized, nor do they authorize, the making of any offer of notes in circumstances in which an obligation arises for the Issuer, the Guarantors or the initial purchasers to publish or supplement a prospectus for such offer. The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

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## NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

This offering memorandum may be distributed only to, and is directed only to, and any offer subsequently made may only be directed to, persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”), and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

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## AVAILABLE INFORMATION

To permit compliance with Rule 144A in connection with resales of the notes, we have agreed to furnish, upon request of a holder or beneficial owner of such notes or a prospective purchaser or subscriber of such notes designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser or subscriber, the information required to be delivered under Rule 144A(d)(4) if at the time of such request we are neither a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder.

Holders of the notes may obtain a copy of the indenture that governs the notes and guarantees by requesting it in writing or by telephone at the address and phone number below:

**Jose Antonio Maciá**  
**Calle Morelli 139, San Borja, Lima, Peru**  
**+51 (1) 618-8000**

In addition, for so long as the notes are listed on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market, you may also obtain a copy of the indenture at the office of the paying agent in Luxembourg set forth on the inside back cover of this offering memorandum.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### General

Unless otherwise indicated or the context otherwise requires, all references in this offering memorandum to:

- “Issuer” or “InRetail Shopping Malls” refers to *Patrimonio en Fideicomiso*—D.S. No. 093-2002-EF—InRetail Shopping Malls, a Peruvian trust (*fideicomiso de titulización*);
- “Parent Guarantor” or “InRetail RE” refers to InRetail Real Estate Corp., a Panamanian corporation;
- “we,” “us,” “our,” “the Company” and similar terms refer to InRetail RE and its consolidated subsidiaries;
- “Interproperties Holding” refers to *Patrimonio en Fideicomiso*—D.S. No. 093-2002-EF—Interproperties Holding, a Peruvian trust (*fideicomiso de titulización*);
- “Interproperties Holding II” refers to *Patrimonio en Fideicomiso*—D.S. No. 093-2002-EF—Interproperties Holding II, a Peruvian trust (*fideicomiso de titulización*);
- “Real Plaza” refers to Real Plaza S.R.L., a Peruvian limited liability company (*sociedad comercial de responsabilidad limitada*);
- “InRetail Properties” refers to InRetail Properties Management S.R.L., a Peruvian limited liability company (*sociedad comercial de responsabilidad limitada*), formerly Interproperties Peru S.A.;
- “Interproperties Peru” refers to *Patrimonio en Fideicomiso*—D.S. No. 093-2002-EF—Interproperties Perú, a Peruvian trust (*fideicomiso de titulización*), one of our subsidiaries, only to the extent that our certificates of participation in Interproperties Holding and Interproperties Holding II, indirectly, grant us the rights to cash flows from shopping malls or real estate owned or leased by Interproperties Perú;
- “Interproperties Puerta del Sol” or “PF IPDS” refers to *Patrimonio en Fideicomiso*—D.S. No. 093-2002-EF—Interproperties Puerta del Sol, a Peruvian trust (*fideicomiso de titulización*), one of our subsidiaries, only to the extent that our certificates of participation in Interproperties Holding II, indirectly, grant us the rights to cash flows from dividends distributed by Inmobiliaria Puerta del Sol;
- “Inmobiliaria Puerta del Sol” or “IPDS” refers to Inmobiliaria Puerta del Sol S.A., a Peruvian corporation, only to the extent that the shares owned by Interproperties Puerta del Sol, indirectly, grant us the rights to cash flows from dividends distributed by Inmobiliaria Puerta del Sol in relation to the shopping malls on real estate owned or leased by it; and
- the “guarantors” refer to the Parent Guarantor, and certain subsidiaries of the Issuer, initially Interproperties Holding, Interproperties Holding II, Real Plaza and InRetail Properties.

Throughout this offering memorandum, we refer to our shopping malls by their location, with and without use of the Real Plaza brand.

For further information on the Issuer and its subsidiaries, see “Description of the Issuer” in this offering Memorandum.

### Financial Information

Our consolidated financial statements (including the audited annual financial statements and the unaudited interim financial statements) and related notes included in this offering memorandum have been prepared in nuevos soles and in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Our indirect parent company, InRetail Perú Corp. (“InRetail Peru”), its immediate parent company Intercorp Retail Inc. (“Intercorp Retail”), its ultimate parent Intercorp Perú Ltd. (“Intercorp Peru”) and their respective

subsidiaries and affiliates formed InRetail RE in a reorganization completed on August 13, 2012 (the “Reorganization”). After the Reorganization, InRetail RE became the holding company for InRetail Peru’s shopping malls business, consisting of Interproperties Holding, Interproperties Holding II, Real Plaza, InRetail Properties, Interproperties Peru, IPDS and PF IPDS (for Interproperties Peru and PF IPDS, with respect to those certificates of participation that we own). As Intercorp Peru maintained effective control over InRetail Peru and InRetail Peru’s subsidiaries throughout the Reorganization, these transactions qualified as being made among entities under common control under IFRS and qualified for the pooling-of-interest method of accounting. Therefore, the accompanying consolidated financial statements have been prepared under the assumption that the Reorganization took place as of the beginning of the earliest year presented and that both InRetail Peru and its subsidiary InRetail RE were operating in each of the years presented.

In this offering memorandum, we present Adjusted EBITDA and Adjusted EBITDA margin, each of which are non-IFRS financial measures. A non-IFRS financial measure does not have a standardized meaning prescribed by IFRS. We present these measures because we believe they provide investors with supplemental measures of the financial performance of our operations that facilitate period-to-period comparisons on a consistent basis. Our management also uses these measures from time to time, among other measures, for internal planning and performance measurement purposes. Adjusted EBITDA and Adjusted EBITDA margin should not be construed as alternatives to profit or operating profit as indicators of operating performance or as alternatives to cash flow provided by operating activities (in each case, as determined in accordance with IFRS). Adjusted EBITDA and Adjusted EBITDA margin, as calculated by us, may not be comparable to similarly titled measures reported by other companies. For the definitions of Adjusted EBITDA and Adjusted EBITDA margin and reconciliations of operating profit and net profit to Adjusted EBITDA, see “Summary Financial Information.”

The term “nuevo sol” and the symbol “S/.” refer to the legal currency of Peru and the term “U.S. dollar” and the symbol “US\$” refer to the legal currency of the United States.

We have translated some of the nuevos soles amounts contained in this offering memorandum into U.S. dollars for convenience purposes only. Unless the context otherwise requires, the rate used to translate nuevos soles amounts to U.S. dollars was S/.2.808 to US\$1.00, which was the exchange rate reported on March 31, 2014 by the SBS. The Federal Reserve Bank of New York does not report a noon buying rate for nuevos soles. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the nuevos soles amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See “Exchange Rates” for information regarding historical exchange rates of nuevos soles to U.S. dollars.

Certain figures included in this offering memorandum have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be arithmetic aggregations of the figures that precede them.

## **Industry and Market Data**

Except where otherwise indicated, market share information and other statistical information and quantitative statements in this offering memorandum regarding our market position relative to our competitors are not based on published statistical data or information obtained from independent third parties. Rather, such information and statements reflect management estimates based upon our internal records and surveys, statistics published by providers of industry data, information published by our competitors, and information published by trade and business organizations and associations and other sources within the industry in which we operate. We have not independently verified any data produced by third parties or industry or general publications. In addition, while we believe our internal data and surveys to be reliable, such data and surveys have not been verified by any independent sources.

## FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements. All statements other than statements of historical fact included in this offering memorandum regarding our business, financial condition, results of operations and certain of our plans, objectives, assumptions, expectations or beliefs with respect to these items and statements regarding other future events or prospects are forward-looking statements. These statements include, without limitation, those concerning: our strategy and our ability to achieve it; profitability and growth; our possible or assumed future results of operations; capital expenditures and investment plans; adequacy of capital; and financing plans. In addition, this offering memorandum includes forward-looking statements relating to our potential exposure to various types of market risks, such as macroeconomic risk, Peru-specific risks, foreign exchange rate risk, interest rate risks and other risks related to financial performance. The words “aim,” “may,” “will,” “expect,” “is expected to,” “anticipate,” “believe,” “future,” “continue,” “help,” “estimate,” “plan,” “schedule,” “intend,” “should,” “would be,” “seeks,” “estimates,” “shall,” or the negative or other variations thereof, as well as other similar expressions regarding matters that are not historical fact, are or may indicate forward-looking statements.

We have based these forward-looking statements on our management’s current views with respect to future events and financial performance. These views reflect the best judgment of our management but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in our forward-looking statements and from past results, performance or achievements. Although we believe that the estimates reflected in the forward-looking statements are reasonable, such estimates may prove to be incorrect. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, among other things:

- global economic, political, and social conditions;
- economic, political and social conditions in Peru and, in particular, where our shopping malls are located;
- consumer preferences and spending patterns;
- competition from other shopping malls and internet sales;
- the success of our growth and expansion strategies;
- real estate, development and construction risks;
- the loss of key tenants;
- the loss of key members of management;
- existing and new legal and regulatory requirements;
- exchange rate fluctuations and inflation; and
- other risk and uncertainties described in “Risk Factors.”

We urge you to read the sections of this offering memorandum entitled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” for a more complete discussion of the factors that could affect our future performance and the industries in which we operate. Additionally, new risks and uncertainties can emerge from time to time, and it is not possible for us to predict all future risks and uncertainties, nor can we assess their potential impact. Accordingly, you should not place undue reliance on forward-looking statements as a prediction of actual results.



All forward-looking statements included in this offering memorandum are based on information available to us on the date of this offering memorandum. We undertake no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as may be required by applicable law. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained throughout this offering memorandum.

## ENFORCEMENT OF CIVIL LIABILITIES AND SERVICE OF PROCESS

InRetail RE is organized under the laws of Panama and the Issuer and the Subsidiary Guarantors are organized under the laws of Peru. Substantially all of our directors, officers, controlling persons, and certain of the experts named herein, reside outside the United States, and all or a substantial portion of our and their assets are located outside the United States. As a result, it may be difficult or impossible for investors to effect service of process within the United States upon such persons or to enforce against them or our company judgments of courts of the United States, whether or not predicated upon the civil liability provisions of the federal securities laws of the United States or other laws of the United States or any state thereof.

### Peru

We have been advised by our Peruvian counsel, Saco-Vertiz Abogados, that there is uncertainty as to the enforceability, in original actions in Peruvian courts, of liabilities predicated upon the U.S. federal securities law. In addition, we have been advised by our Peruvian counsel that any final and conclusive judgment for a fixed and final sum obtained against us in any foreign court having jurisdiction in respect of any suit, action or proceeding against us for the enforcement of any of our obligations assumed under this offering and sale of the notes will, upon request, be deemed valid and enforceable in Peru through an *exequatur* judiciary proceeding (which does not involve the reopening of the case), *provided* that: (i) there is a treaty in effect between the country where such foreign court sits and Peru regarding the recognition and enforcement of foreign judgments or (ii) in the absence of such a treaty, the original judgment is recognized to and ratified by the Peruvian Courts (*Cortes de la Republica del Perú*) under such *exequatur* proceeding, subject the provisions of the Peruvian Civil Code and the Peruvian Civil Procedure Code. Such ratification will occur provided that the following conditions and requirements are met:

- the judgment does not resolve matters under the exclusive jurisdiction of Peruvian courts (and the matters contemplated in respect of this offering memorandum or the notes or guarantees are not matters under the exclusive jurisdiction of Peruvian courts);
- such foreign court had jurisdiction under its own private international conflicts of law rules and under general principles of international procedural jurisdiction;
- we received service of process in accordance with the laws of the place where the proceeding took place, were granted a reasonable opportunity to appear before such foreign court and were guaranteed due process rights;
- the judgment has the status of *res judicata* as defined in the jurisdiction of the court rendering such judgment;
- no pending litigation in Peru between the same parties for the same dispute was initiated before the commencement of the proceeding that concluded with the foreign judgment;
- the judgment is not incompatible with another judgment that fulfills the requirements of recognition and enforceability established by Peruvian law, unless such foreign judgment was rendered first;
- the judgment is not contrary to Peruvian public policy (*orden público*) or good morals;
- it is not proven that such foreign court denies enforcement of Peruvian judgments or engages in a review of the merits thereof;
- a copy of such judgment has been (a) in case of jurisdictions that are party to the 1961 Hague Convention Abolishing the Requirements of Legislation of Foreign Public Documents (“The Hague Apostille Convention”), duly apostilled by the competent authority of the jurisdiction of the issuing court, or (b) in case of jurisdictions that are not party to The Hague Apostille Convention, certified by Peruvian consular authorities and, in each case, is accompanied by a certified and officially translated copy of such judgment into Spanish; and
- the applicable court taxes or fees have been paid.

We have no reason to believe that any of our obligations relating to the notes would be contrary to Peruvian public policy (*orden público*), good morals or international treaties binding upon Peru or generally accepted principles of international law. Our properties and subsidiaries have no immunity from a competent court's jurisdiction.

The United States does not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters with Peru. Therefore, unless the above-mentioned requirements are satisfied, a final judgment for payment of money rendered by a federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, may not be enforceable, either in whole or in part, in Peru. However, if the party in whose favor such unenforced final judgment was rendered brings a new suit in a competent court in Peru, such party may submit to the Peruvian court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against our company may be regarded by a Peruvian court only as evidence of the outcome of the dispute to which such judgment relates, and a Peruvian court may choose to re-hear the dispute. In addition, awards of punitive damages in actions brought in the United States or elsewhere are unenforceable in Peru. In the past, Peruvian courts have enforced judgments rendered in the United States based on legal principles of reciprocity and comity.

#### Panama

There is no existing treaty between the United States and Panama for the reciprocal enforcement of foreign judgments of courts outside Panama, including without limitation, judgments of U.S. courts. Panamanian courts, however, have enforced judgments rendered in the United States based on legal principles of reciprocity and comity. We have been advised by Arias, Aleman & Mora, our Panamanian counsel, that judgments rendered by foreign courts may only be recognized and enforced by the courts of Panama in the event that the Supreme Court of Panama validates such judgment by the issuance of a *writ of exequatur*. Subject to a *writ of exequatur*, any final judgment rendered by any U.S. court will be recognized, conclusive and enforceable in the courts of Panama without reconsideration of the merits, *provided* that: (i) such foreign court grants reciprocity to the enforcement of judgments of courts of Panama; (ii) the party against which the judgment was rendered was personally served (service by mail not being sufficient) in such action within such foreign jurisdiction; (iii) the judgment arises out of a personal action against the defendant; (iv) the obligation in respect of which the judgment was rendered is lawful in Panama and does not contradict the public policy of Panama; (v) the judgment is properly authenticated by diplomatic or consular officers of Panama or pursuant to the 1961 Hague Convention on the Legalization of Documents; and (vi) a copy of the final judgment is translated into Spanish by a licensed translator in Panama.

#### Service of Process

We have appointed Corporation Service Company, New York, New York, as agent to receive service of process under the indenture governing the notes and guarantees, including with respect to any action brought against us in the Courts of the State of New York in the County of New York or the United States District Court for the Southern District of New York under the federal securities laws of the United States. With respect to such actions, we and the guarantors have submitted to the exclusive jurisdiction of the courts of the State of New York in the County of New York or the United States District Court for the Southern District of New York.

## SUMMARY

*This summary highlights selected information about us and the notes and should be read as an introduction to the more detailed information appearing elsewhere in this offering memorandum. This summary does not contain all the information you should consider before investing in the notes. You should read this entire offering memorandum carefully for a more complete understanding of our business and this offering, including “Risk Factors,” “Presentation of Financial and Other Information,” “Selected Financial Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited annual consolidated financial statements and related notes.*

### Overview

We are the largest company in the shopping mall sector in Peru. We are the largest owner, developer and operator of shopping malls based on both gross leasable area (“GLA”) and the number of shopping malls. Under our Real Plaza brand, we operate 16 shopping malls with 495,533 m<sup>2</sup> of GLA that we own or lease on a long-term basis and three additional shopping malls with 58,000 m<sup>2</sup> of GLA that are owned by related parties. Based on our internal estimates, our diversified portfolio of shopping malls attracts the highest amount of consumer foot traffic in Peru because of our unique combination of premier locations and highly recognized tenants’ retail brands.

We strive to grow our business organically by taking advantage of shopping mall development opportunities we identify throughout Peru, expanding our reach across socioeconomic segments and geographic markets. Over the next few years we intend to expand four of our successful shopping malls onto adjacent land we already own, increasing our GLA at a relatively low cost and with low execution risk. We will also develop our next mall, Puruchuco, which will have over 100,000 m<sup>2</sup> of GLA, the majority of which is already leased. Our expertise in selecting, securing and developing these and other locations is a key growth driver of our business.

As of March 31, 2014, the total value of our investment properties was US\$763.5 million (S/.2,143.8 million) and our total assets were US\$871.5 million (S/.2,447.1 million). Of our 19 operated shopping malls, eight are located in Lima and the other 11 are in the provinces. Many of our shopping malls have strategic locations in the largest provinces in Peru, which has allowed them to attract and maintain an impressive tenant base and serve as shopping and entertainment hubs for local communities.

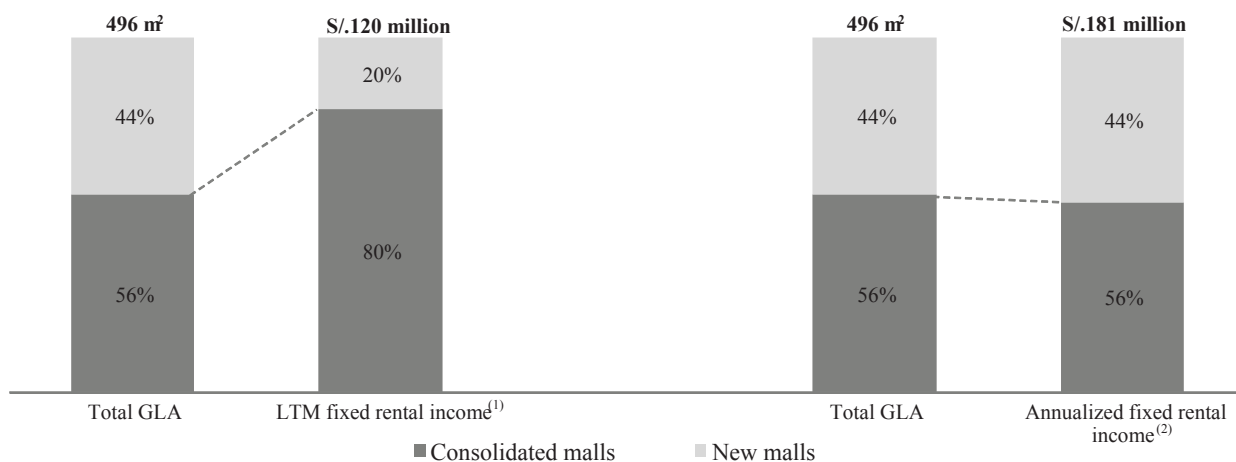
We acquired our first shopping mall, Primavera, in Lima in 2001 and have since increased our GLA over 56-fold to 553,534 m<sup>2</sup> as of May 31, 2014. Our parent company, InRetail Peru, successfully completed an initial public offering on the Lima Stock Exchange (“LSE”) in late 2012 and has since contributed US\$418 million in cash proceeds to our business that has been used to increase our GLA and number of shopping malls. With this capital contribution, during the last eighteen months, we have added 226,815 m<sup>2</sup> of GLA, an increase of 70%, both expanding one existing mall and developing five new malls, including Salaverry, our new flagship mall, which is 100% leased and has 71,936 m<sup>2</sup> of GLA. We believe we are in a very strong position to capitalize on our recent significant investments in GLA and Peru’s consumption growth to secure highly predictable cash flows and increase our revenues and profitability.

We believe that our financial results as of March 31, 2014, particularly our revenues and net operating profit, do not yet reflect our significant recent investments in GLA. For example, the annualized fixed rental income for our signed lease contracts at Salaverry as of May 31, 2014 is S/.38 million, but Salaverry has not yet generated rental income as of March 31, 2014, as it was opened to the public in May 2014. Furthermore, fixed rental income as of March 31, 2014 generated by our five “new malls,” shopping malls that have been operating for less than eighteen months, represented 20% of our total fixed rental income. However, the GLA of our new malls represented 44% of our total GLA under operation as of March 31, 2014.

The chart below illustrates how our recent investments in our new malls will impact our financial measures.

### GLA and Fixed Rental income

Rental income in million S/. GLA in thousands as of May 31, 2014



(1) Fixed rental income from tenants as of the last twelve months ending March 31, 2014.

(2) Annualized fixed rental income is calculated by annualizing the fixed rental income from tenants for the three months ending March 31, 2014 based on existing signed contracts with tenants. Salaverry annualized fixed rental income reflects the next twelve months' fixed rental income from existing signed contracts with tenants as of March 31, 2014.

We believe that Peru offers attractive opportunities for significant growth based on its macroeconomic prospects, stable political environment, favorable demographic trends and emerging middle class, combined with a retail sector that is underpenetrated by modern formats. Peru has been Latin America's fastest growing country in terms of real GDP growth and is one of only six investment-grade countries in the world with average annual real GDP growth over 6.0% from 2007 to 2013, according to the International Monetary Fund (the "IMF"). During the same time period, the poverty level (measured as the number of people living below the poverty line as a percentage of total population) was reduced from 42.4% in 2007 to 23.9% according to the Instituto Nacional de Estadísticas e Informática ("INEI"), Peru's national institute of statistics and data. This implies that 19% of Peru's population, approximately 5.5 million people, have risen above the poverty level and are entering a middle class. As of 2013, 63.7% of Peru's population was younger than 35 years of age, according to INEI. We focus on meeting the growing needs of Peruvian consumers who, as they become wealthier and demand higher quality products and services, are shifting towards modern, formal retailers and away from the country's traditional retail sector.

Our ultimate parent company is Intercorp Peru, one of Peru's largest business groups, with activities spanning financial services, retail, education and real estate. In 2001, Intercorp Peru began investing in the Peruvian retail sector, attracted by its strong growth potential, increasing consumer purchasing power and an underpenetrated modern retail sector. We believe that being part of a locally owned and operated group offers us the significant advantages of an exclusive focus on Peru and a deep understanding of the country in general and its retail and real estate markets in particular.

### Our Business

Our business is primarily composed of Peruvian trusts that own real estate in Peru, of an investment management company (InRetail Properties) and a mall operations company (Real Plaza). InRetail Properties is focused on securing new locations and developing shopping malls based on our proprietary consumer demand analytics and projected yield targets. Real Plaza is focused on operating our shopping malls and maintaining and developing strong relationships with our tenants, which include anchor tenants such as Plaza Vea, Ripley, Oechsle and Saga Falabella, brand-name retailers such as Forever 21, Brooks Brothers, Zara and Banana Republic, leading local fashion boutiques, restaurant chains and other entertainment and service offering chains. Our shopping malls

enjoy high occupancy rates and collectively had an estimated 20% market share based on GLA in 2013, according to the Asociación de Centros Comerciales del Perú (the “ACCEP”).

We earn rental income, which consists of the greater of minimum monthly fixed rental payments or variable payments based on the retail sales of our tenants. Approximately 87% of our rental income for the year ended 2013 came from fixed rental payments, and the rest came from variable payments linked to our tenants’ sales. All minimum fixed rental payments adjust for inflation each year. Variable payments allow us to benefit from the growth in sales by our tenants, who operate across a range of retail categories. We also collect maintenance and marketing funds from our tenants that we use to provide these shared services.

The chart below provides a summary of key financial and operating metrics for our business.

	As of and for the last twelve months ended		As of and for the three months ended		As of and for the year ended December 31,			
	March 31,		March 31,		2013		2011	
	2014	2014	2014	2013	2013	2013	2012	2011
	(US\$ in millions) <sup>(1)(2)</sup>	(US\$ in millions) <sup>(1)(2)</sup>	(S/. in millions) <sup>(1)</sup>	(S/. in millions) <sup>(1)</sup>	(US\$ in millions) <sup>(1)(2)</sup>	(US\$ in millions) <sup>(1)(2)</sup>	(S/. in millions) <sup>(1)</sup>	(S/. in millions) <sup>(1)</sup>
Net rental income <sup>(3)</sup>	58.7	16.7	46.9	33.7	54.0	151.7	109.6	85.6
Gross profit	50.1	15.1	42.3	31.0	49.5	138.9	101.6	79.1
Adjusted EBITDA <sup>(4)</sup>	44.5	12.9	36.2	26.4	41.0	115.1	84.2	57.6
Adjusted EBITDA margin (%) <sup>(4)</sup>	75.8%	77.2%	77.2%	78.3%	75.9%	75.9%	76.9%	67.3%
Operating cash flow	32.2	15.1	42.5	24.8	25.9	72.7	41.1	71.4
Shopping malls owned or leased	15	15	15	13	15	15	12	11
Shopping malls operated	18	18	18	15	18	18	15	14
Total GLA (m <sup>2</sup> ) <sup>(5)</sup>	425,257	425,257	425,257	297,468	398,551	398,551	278,662	233,015
GLA of shopping malls owned by related parties <sup>(6)</sup>	58,482	58,482	58,482	44,016	59,581	59,581	53,476	50,494
GLA growth for the period (%)	43.0%	43.0%	43.0%	37.2%	43.0%	43.0%	25.0%	24.2%
Average occupancy rate (%)	93.3%	93.3%	93.3%	97.4%	93.2%	93.2%	92.3%	94.0%
Number of visitors in millions	119	32	32	24	110	110	106	86
Total assets	871.5	871.5	2,447.1	2,377.8	848.0	2,381.1	2,194.6	-

(1) Except for percentages and operating data.

(2) Translated to U.S. dollars for convenience only at the rate of S/2.808 = US\$1.00, the exchange rate reported on March 31, 2014 by the SBS. See “Exchange Rates.”

(3) Net rental income is defined as total income minus reimbursable operating costs related to the maintenance and management of our shopping malls. These operating costs are billed directly to tenants and are also reported as Income from Management Services. See “—Management’s Discussion and Analysis of Financial Conditions and Results of Operations.”

(4) For our definitions of Adjusted EBITDA and Adjusted EBITDA margin, which are non-IFRS measures, and reconciliations of net profit and operating profit to Adjusted EBITDA, see “Summary Financial Information.”

(5) Does not include 71,936 m<sup>2</sup> of GLA from our Salaverry shopping mall that opened in May 2014 and GLA owned by related parties. In addition, as of May 2014 we have 1,660 m<sup>2</sup> of less GLA as a result of the development or expansions of our Trujillo and Guardia Civil shopping malls making such GLA unavailable for leasing.

(6) As of May 31, 2014, GLA of shopping malls owned by related parties is 58,000 m<sup>2</sup> due to a decrease in available GLA due to an expansion in the Centro Civico shopping mall.

## Recent GLA Growth

We have recently added 226,815 m<sup>2</sup> of GLA in the past 18 months. We opened our Cusco, Cajamarca, Huánuco and Piura shopping malls in late 2012 and during 2013 and we opened our flagship Salaverry shopping mall in May 2014. We also expanded our Chiclayo shopping mall with 7,743 m<sup>2</sup> of GLA. Our Cusco shopping mall has 38,194 m<sup>2</sup> of GLA and was 94% leased as of May 31, 2014. Our Cajamarca shopping mall has 34,998 m<sup>2</sup> of GLA and was 90% leased as of May 31, 2014. Our Huánuco shopping mall has 28,451 m<sup>2</sup> of GLA and was 90% leased as of May 31, 2014. Our Piura shopping mall has 45,493 m<sup>2</sup> of GLA and was 92% leased as of May 31, 2014. Our Salaverry shopping mall has 71,936 m<sup>2</sup> of GLA and was 100% leased as of May 31, 2014.

## **Our Strategy**

We expect to continue our profitable growth by implementing the strategies below to meet the evolving needs of the Peruvian retail consumer and expand the geographic and socioeconomic reach of our shopping malls.

### ***Capitalize on our Leading Position to Become the Preferred Option for Customers***

Our deep local market knowledge and consumer analytics allow us to identify customer needs and behaviors that may change based on geographic location. Based on this knowledge and analytics, we carefully select our tenants, including successful local retailers, and design our tenant mix to provide an enhanced shopping experience. We monitor the evolution of consumer demands and the performance of tenants to renew our assortment and ensure a modern, up-to-date, product and service offering. Our customer-centric marketing campaigns and promotions are designed to generate additional traffic and generate more sales for our tenants. While the majority of our rental income comes from fixed monthly payments, we believe that the variable component of our rental income also provides a source of future growth. The variable component is based on our tenants' actual sales, which we expect to increase as our shopping malls consolidate and Peruvian consumer demand continues to grow.

### ***Capture Untapped Demand by Expanding our GLA***

We select locations for our shopping malls where there is significant unmet consumer demand. Our in-house scouting team, with extensive expertise and market knowledge, is exclusively dedicated to finding and securing properties located in premier locations. Our consumer demand analytics helps us target stable communities with in-place infrastructure, low penetration of modern shopping malls and other modern retail formats, robust population and business growth, and above-average household income.

We intend to continue to generate opportunities to diversify our shopping mall portfolio by expanding our geographic reach and targeting multiple socioeconomic segments. We plan to use US\$35.5 million of the proceeds of this offering to purchase land in Puruchuco to develop our next shopping mall, and another US\$17.0 million for the first phase of our North Chiclayo shopping mall. Puruchuco will become our largest shopping mall, with over 100,000 m<sup>2</sup> of GLA, and will be located in a growing middle class community with no convenient access to other shopping malls.

When developing a new shopping mall, we typically reserve a portion of the underlying real estate for future growth projects, facilitating future expansions that can also increase our GLA and allow for improvements in our tenant mix. We typically expand our more consolidated shopping malls when we believe there is new unsatisfied consumer demand. This strategy seeks to permit for relatively low-risk investments with faster income ramp-ups and higher occupancy levels. We plan to use US\$28.7 million of the proceeds of this offering to expand our shopping malls at Juliaca, Huancayo, Guardia Civil and Trujillo, adding 23,672 m<sup>2</sup> of additional GLA.

### ***Become the Preferred Partner for Tenants***

We seek to generate new and improved relationships with locally and globally recognized tenants. Our shopping malls offer tenants substantial consumer foot traffic because of our strategic locations, anchor stores, marketing investments, efficient operations and superior tenant service. We serve as a growth platform for our tenants, not only because we are the most geographically diversified shopping mall chain in Peru, but also because we provide value-added sales, consulting services and the opportunity to expand nationwide as we develop additional shopping malls and expand our existing shopping malls. This approach allows us to achieve lease renewals and enjoy high occupancy rates.

## **Competitive Strengths**

### ***Highly Predictable Cash Flows***

Our high occupancy rates and largely fixed-rental-income contracts lead to highly predictable cash flows. The substantial majority of our cash flows come from long-term tenant leases and we also have low concentration of lease expiration maturities. For the year ended 2013, approximately 87% of our rental income came from fixed lease payments. In addition, as of May 31, 2014, our entire shopping mall portfolio was fully constructed and in

operation. Our average occupancy rate as of March 31, 2014 was 93% even when considering recently opened malls like Piura, Cajamarca and Cusco, which opened during 2013.

### ***High Cash Realization***

As opposed to the U.S. Real Estate Investment Trusts (“REITs”) or the similar Mexican *fondos de inversiones en bienes raices e infraestructura* (“FIBRAS”), that require high dividend payment rates, we are not required to distribute dividends. We have not distributed dividends and do not intend to distribute any dividends in the near future. The net income of the Issuer will be subject to taxation only when it is distributed to InRetail RE, which distributions will be in our sole discretion. Our regulatory framework thereby provides a high level of cash realization, which is available for debt service and capital expenditures to grow our business. As a result, we believe that our Adjusted EBITDA is a close measure of net cash flow than that of many of our peers that are organized as REITS or FIBRAS.

### ***High Quality and Diversified Portfolio of Premier Shopping Mall Locations***

We carefully analyze potential locations based on our deep local market knowledge and our consumer demand analytics software, considering size, density, purchasing power, competition and growth prospects of each location. Our experienced in-house development team has developed a rigorous yet efficient approval process to facilitate sound strategic decisions throughout the site selection, investment approval, construction and operating phases of our shopping malls. The understanding of the market and the process described above led us to be the first shopping mall operator to open a mall outside of Lima, in 2006. Furthermore, we have been the first shopping mall operator to open a mall in 7 of the 12 cities in which we are currently present, allowing us to select premier locations that become shopping and entertainment hubs.

Our portfolio of shopping malls is strategically diversified with respect to both geographic location and target customer socioeconomic segment. We have 8 shopping malls in the city of Lima with 219,724 m<sup>2</sup> of GLA (39.7% of our total GLA), including our Salaverry shopping mall, the most modern shopping mall in the country. We also have 11 shopping malls located in 10 provinces of Peru with 333,810 m<sup>2</sup> of GLA (60.3% of our total GLA). Our nationwide presence, our proprietary consumer demand analysis and our experience operating shopping malls allow us to benefit from the economic growth of various regions and income categories, minimizing the impact of fluctuations in regional economies and providing us with key competitive advantages for the implementation of our growth strategy.

### ***Pipeline of Premium Projects under Development***

Our premium shopping mall development projects in Lima and in Peru’s provinces are commercially strategic and will target various socioeconomic segments. While we currently do not have any shopping malls under construction, we have developed a pipeline of very attractive shopping mall projects. We plan to use a portion of the proceeds from this offering to purchase real estate in eastern Lima to develop the Puruchuco project, a landmark shopping mall with over 100,000 m<sup>2</sup> of GLA that will mainly target Peru’s growing middle class. We estimate this project will be the largest shopping mall in Peru and will be strategically located in Ate, one of the most densely populated and transited districts in Lima. We also plan to use part of the proceeds from this offering to expand our Juliaca, Huancayo, Guardia Civil and Trujillo shopping malls and the first phase of our North Chiclayo development.

### ***Strong and Stable Relationships with Retailers***

Our diversified portfolio of shopping malls, high amounts of consumer foot traffic and our value-added services enable us to enjoy strong and stable relationships with our shopping mall tenants, high occupancy rates in our current and future shopping malls and increasing leasing revenues. In several cases, we have had 100% GLA occupancy prior to the opening of a shopping mall. We have over 1,500 tenants in our shopping mall portfolio, and a high lease renewal rate. We also have a low concentration of lease expiration maturities. Our strong relationship with our tenants is a strategic advantage as it permits us to plan new shopping malls or mall expansions with a high degree of visibility over future rent potential. For example, we opened Salaverry in May of 2014 but we had already pre-leased over 50% of total GLA two years before opening. Similarly, our new flagship project, Puruchuco, is



scheduled for completion in late 2016 but over 50% of GLA is already pre-leased as of the date of this offering memorandum.

### ***Exclusively focused on Opportunities in Peru***

We believe our exclusive focus on Peru gives us an additional advantage. Peru offers attractive opportunities for growth based on its macroeconomic prospects, stable political environment, favorable demographic trends and emerging middle class, combined with a retail sector that is underpenetrated by modern formats. Peru has been South America's fastest growing country in terms of real GDP growth and is one of only six investment grade countries in the world, with average annual real GDP growth over 6.0% from 2007 to 2013, according to the International Monetary Fund (the "IMF"). Over the last six years, 19% of Peru's population, nearly 5.5 million people, have raised above the poverty level, according to INEI. As of 2013, over 63% of Peru's population was younger than 35 years of age according to INEI. In addition, over the past six years, the average salary for Peruvians has increased 56%, which represents a CAGR of 9% since 2007. We are well positioned to capitalize on Peru's attractive growth opportunities.

### ***Strategic Tenants Owned by Intercorp Peru***

We believe we have an additional competitive advantage because of the relationship between our shopping malls and Intercorp Peru's retail formats. Intercorp Peru owns well-known domestic retailers such as Plaza Vea, a hypermarket and supermarket chain, Oechsle, a department store, Promart, a home improvement store, and through Nexus Group, a private equity firm and a strategic partner of Intercorp Peru, other well-known domestic retailers such as Cineplanet, a line of movie theatres, and NG Restaurants, a line of fast-food restaurants. Our relationships with these companies ensure a substantial amount of consumer foot traffic in our shopping malls. The early presence of these anchor stores in our projects also facilitates attracting additional tenants at favorable lease rates. We contract with these stores and restaurants only on an arm's-length basis.

### ***Experienced Management Team and Strong Shareholder Base***

Our seasoned management team has extensive operating experience in the retail and real estate sectors, including executive positions in major retail companies, consulting firms and multinational conglomerates in the United States and Latin America. Our management team has successfully secured locations and developed malls to grow our GLA 12-fold over the last eight years, including opening our flagship shopping mall, Salaverry, on time and under budget, and has developed very strong relationships with local and global retailers. Furthermore, certain members of our management team have executed several recent financing, acquisition and development transactions, including the issuance of US\$185 million of Senior Notes by Interproperties Finance Trust in 2011 and the \$460 million initial public offering of InRetail Peru on the Lima Stock Exchange in 2012. Our culture emphasizes teamwork and meritocracy, and focuses on attracting and retaining highly qualified personnel while maintaining a motivated workforce.

Our ultimate parent company, Intercorp Peru, is one of Peru's largest business groups, with activities spanning financial services, education, retail and real estate. We believe that being part of this group offers us advantages because of the group's exclusive focus on the Peruvian market, highly visible in-country presence and rapid decision-making capabilities. In addition, Intercorp Peru controls a complimentary portfolio of retail brands that supports the growth and operations of our shopping malls by providing valuable market and customer information.

### **The Peruvian Shopping Mall Industry**

The Peruvian shopping malls industry has experienced strong growth during the last five years, partly explained by the growth of the economy (GDP CAGR of 6.8%) and its effect on GDP per capita (CAGR of 5.2%) and private consumption (CAGR of 6.5%).

According to the ACCEP, as of December 2013, the Peruvian shopping mall industry consisted of 63 shopping malls, of which 29 were located inside the Lima metropolitan area and 34 were located outside, with a total GLA of 2,013,000 m<sup>2</sup>. The number of Peruvian shopping malls, GLA at Peruvian shopping malls and gross sales at Peruvian shopping malls grew at 19.4%, 25.0% and 30.7% CAGRs, respectively, for the five years ended December 31, 2013. During 2013, Peruvian shopping malls received an estimated 42.9 million visitors per month,

an increase of 17.5% over the visitors per month received in 2012. The industry's total investment in developing and expanding shopping malls during 2013 was US\$417 million, representing a 35.0% increase over 2012.

Peru's shopping malls sector is underpenetrated vis-à-vis regional peers. According to ACCEP, there are a total of 1.8 malls per million inhabitants in Peru compared to 4.1 and 5.2 in Chile (in 2013) and Mexico (in 2012), respectively. In terms of GLA per capita, currently Peru has 67 m<sup>2</sup> per inhabitant compared to 168 and 92 in Chile and Mexico, respectively. As such, we believe there is a very significant opportunity for growth in GLA in Peru, both in Lima's more densely populated districts like Ate, where our Purucho mall will be located, to cities across the country like Cusco where we are the only shopping mall operator in the city.

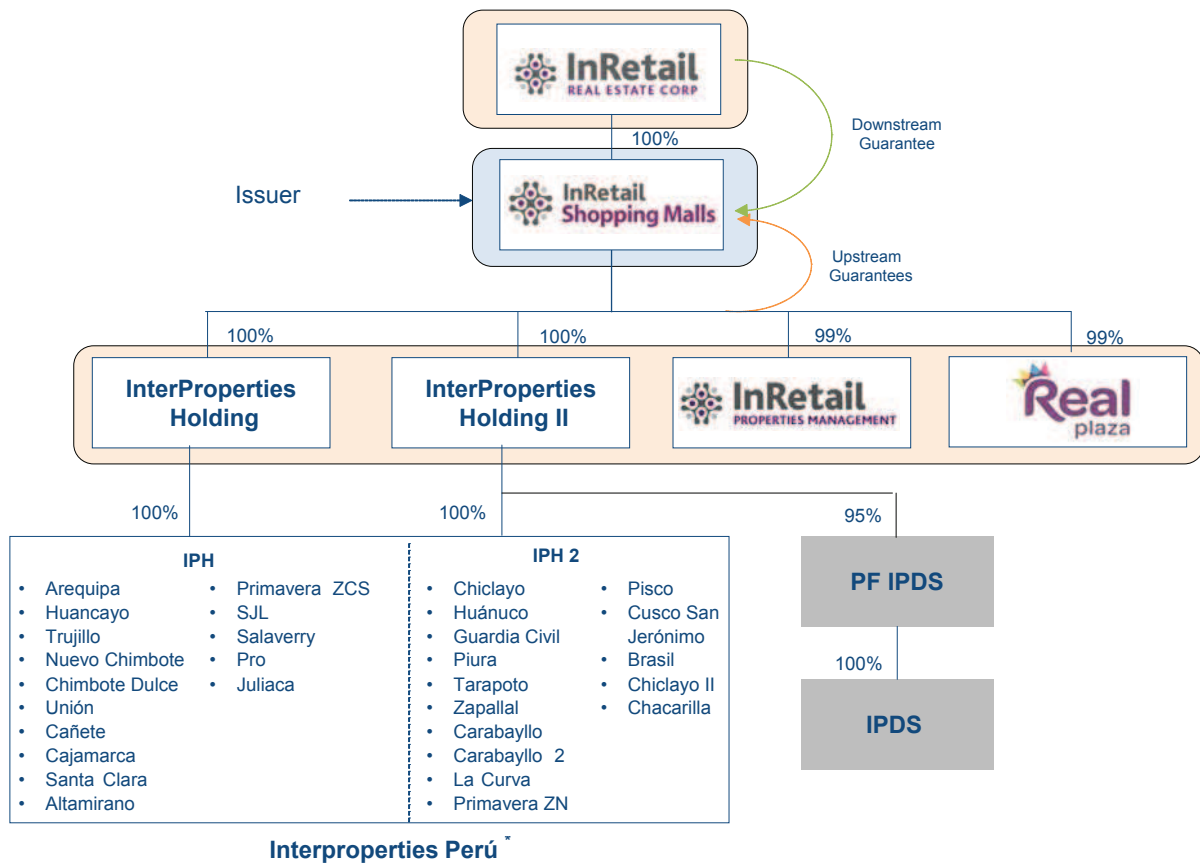
### **The Refinancing Transaction**

Pursuant to the terms of the Offer to Purchase and Consent Solicitation Statement dated June 20, 2013 (the "Offer to Purchase and Consent Solicitation Statement"), the Issuer offered to purchase for cash (the "Offer to Purchase") any and all of the outstanding 8.75% Senior Secured Notes due 2023 of IP Finance Trustees Limited, as trustee of Interproperties Finance Trust, a Cayman trust (the "Interproperties Notes"), and solicited consents (together with the Offer to Purchase, the "Tender Offer and Consent Solicitation") to amend (i) the governing indenture dated as of November 10, 2011, among Interproperties Finance Trust, Deutsche Bank Trust Company Americas, as indenture trustee, Deutsche Bank AG, London Branch, as paying agent and transfer agent, and Deutsche Bank Luxembourg S.A., as registrar, authenticating agent, Luxembourg paying agent and Luxembourg transfer agent (the "Interproperties Notes Indenture"), to, among other things, eliminate substantially all of the restrictive covenants related to the Interproperties Notes; (ii) the credit agreement, dated as of November 10, 2011 (the "DB Credit Agreement"), among Interproperties Holding, as borrower, and Deutsche Bank AG, London Branch, as lender ("DB London"), providing for, among other things, the elimination of substantially all restrictive covenants and certain events of default in the DB Credit Agreement as well as the elimination of references to the security documents and corresponding security interests relating to the DB Credit Agreement; (iii) the release and discharge of the security documents and termination and extinguishment of the security interests relating to the DB Credit Agreement; and (iv) the participation agreement between Interproperties Finance Trust and DB London, dated as of November 10, 2011, providing for, among other things, elimination of references to the security documents and corresponding security interests relating to the DB Credit Agreement (collectively, the "Proposed Actions"). The consent of the holders of at least a majority of the Interproperties Notes (not including notes held by Interproperties Holding and its affiliates) is required to authorize the Proposed Actions.

The Tender Offer and Consent Solicitation for the Interproperties Notes, pursuant to the Offer to Purchase and Consent Solicitation Statement, expired on June 30, 2014. Interproperties Notes representing US\$179.7 million in aggregate principal amount, or approximately 97.12% of the aggregate principal amount outstanding, were tendered and accepted.

## Organizational Structure

The following organizational chart shows the Parent Guarantor and its subsidiaries as of the date of this offering memorandum:



\* As of May 31, 2014, Interproperties Peru also owns real properties (Pucallpa, Lurin, Tabacalera (Atento) and Lillingstone) whose certificates of participation are owned by Interseguro Compañía de Seguros S.A. ("Interseguro") and Inteligo Real Estate Peru S.A.C. These other real properties are not part of our business and are not included in our consolidated financial results. In addition, these other real properties are not restricted under the indenture that will govern the notes (except for Puruchuco, whose real estate is expected to be owned by InRetail Shopping Malls by the end of June 2014).

## Corporate Information

Our headquarters are located at Carlos Villarán 140, 19th Floor, Lima 13, Peru. Our telephone number at that address is +51 (1) 618-8000. Our website address is [www.realplaza.pe](http://www.realplaza.pe). The information included or referred to on, or otherwise accessible through, our website is not included or incorporated by reference into this offering memorandum.

## The Offering

*The following summary contains basic information about the notes and is not intended to be complete. For a more complete understanding of the notes, please refer to “Description of the Notes.”*

Issuer .....	InRetail Shopping Malls, acting through the ISM Trustee
Guarantors .....	The notes and the obligations of the Issuer under the indenture are fully and unconditionally guaranteed on a senior unsecured basis by InRetail RE, Interproperties Holding, Interproperties Holding II, Real Plaza and InRetail Properties and certain future subsidiaries of such entities in accordance with the terms of the indenture. See “Description of the Notes—Future Guarantors.”
Notes Offered .....	US\$350,000,000 aggregate principal amount of 6.500% Senior Notes due 2021
Maturity .....	July 9, 2021
Interest .....	The notes bear interest at the rate of 6.500% per annum, payable semi-annually in arrears on January 9 and July 9 of each year, beginning on January 9, 2015.
Issue Price.....	99.309% of the principal amount thereof.
Ranking .....	<p>The notes and the guarantees are senior unsecured obligations of the Issuer and the Guarantors, respectively, and rank:</p> <ul style="list-style-type: none"><li>• equally with all of the Issuer’s and the Guarantors’ respective existing and future senior indebtedness, other than certain obligations granted preferential treatment pursuant to applicable law; and</li><li>• senior to all of the Issuer’s and the Guarantors’ respective future subordinated indebtedness.</li></ul> <p>The notes and the guarantees effectively rank junior to all of the Issuer’s and the Guarantors’ respective existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness. The notes are structurally subordinated to all existing and future liabilities of any subsidiaries that do not guarantee the notes.</p> <p>As of March 31, 2014, calculated on an as adjusted basis to give effect to this offering of notes, including the use of proceeds described below, as if all such transactions had occurred on March 31, 2014, we had S/.1,172.3 million (US\$417.4 million) of outstanding consolidated indebtedness (excluding intercompany indebtedness), of which S/.175.6 million (US\$62.6 million) was secured indebtedness.</p>
Use of Proceeds .....	We expect to use the net proceeds from the offering to (i) purchase any and all of the Interproperties Notes validly tendered, not withdrawn and accepted for purchase, pursuant to the Offer to Purchase and Consent Solicitation Statement, for a total amount of US\$179.7 million, not including transaction costs or repurchase premium, (ii) to purchase the land for our Puruchuco shopping mall from Interseguro for approximately

US\$35.5 million, (iii) for capital expenditures to support our business of approximately US\$75 million and (iv) the remainder, if any, for general corporate purposes. The amount of net proceeds from this offering that we expect to use to purchase Interproperties Notes vary depending on the amount of Interproperties Notes tendered and accepted for purchase in the Tender Offer. See “Use of Proceeds.”

Additional Amounts ..... All payments in respect of the notes will be made without any withholding or deduction for any taxes imposed or levied by or on behalf of a Taxing Jurisdiction (as defined in “Description of the Notes—Additional Amounts”), unless such withholding or deduction is required by law. Under current Peruvian law and regulations, payments of interest to holders of the notes that are not residents of Peru for purposes of Peruvian taxation will generally be subject to Peruvian withholding tax at a rate of 4.99%. We will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction for taxes been required, subject to certain exceptions set forth under “Description of the Notes—Additional Amounts.”

Redemption..... The Issuer may redeem the notes, in whole or in part, prior to July 9, 2018 by paying the greater of (1) 100% of the principal amount of such notes and (2) the sum of the present value at such redemption date of (a) the redemption price of the notes on July 9, 2018 (such redemption price being set forth in the table under “Description of the Notes—Optional Redemption—Optional Scheduled Redemption”) plus (b) all required interest payments thereon through July 9, 2018 (excluding accrued but unpaid interest to the redemption date), discounted to the redemption date on a semi-annual basis at the treasury rate plus 50 basis points. The Issuer may also redeem the notes, in whole or in part, on or after July 9, 2018, at the redemption prices set forth herein. In addition, the Issuer may redeem the notes, in whole but not in part, at a price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest, if any, to the date of redemption and any additional amounts, at any time upon the occurrence of certain changes in tax laws. At any time on or prior to July 9, 2017, the Issuer may also redeem up to 35% of the outstanding principal amount of the notes using the proceeds of certain equity offerings at the redemption price of 106.500% of the outstanding principal amount, plus accrued and unpaid interest, if any, to the date of redemption.

See “Description of the Notes—Optional Redemption.”

Change of Control Offer..... Upon the occurrence of a Change of Control Event (as defined in “Description of the Notes”), the Issuer and the Parent Guarantor will be required to offer to repurchase all outstanding notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the date of purchase. See “Description of the Notes—Repurchase at the Option of Holders—Change of Control.”

Covenants ..... The indenture governing the notes, among other things, limits our ability to:

- incur additional indebtedness;
- incur liens;
- make dividend payments or other restricted payments;
- make certain investments;
- place limitations on dividends and other payments by our restricted subsidiaries;
- make certain asset sales or dispositions;
- engage in transactions with affiliates; and
- engage in mergers, consolidations and transfers of substantially all of our assets.

However, these covenants are subject to a number of significant qualifications and exceptions. In addition, if the notes obtain investment grade ratings by at least two rating agencies and no default has occurred and is continuing, certain of the foregoing covenants will cease to be in effect for so long as the notes maintain such ratings. See “Description of the Notes—Certain Covenants.”

Form and Denomination ..... The notes were issued in book-entry form only in denominations of US\$10,000 and integral multiples of US\$1,000 in excess thereof. The notes are represented by one or more global notes registered in the name of a nominee of DTC, as depositary, for the accounts of its direct and indirect participants, including Euroclear, as operator of the Euroclear system, and Clearstream.

Further Issues..... In accordance with the terms of the indenture relating to the notes, we may issue additional notes of the same series as the notes offered hereby at a future date.

Listing..... We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market in accordance with its rules and regulations. The notes are not yet listed. If any European or national legislation is adopted and is implemented or takes effect in Luxembourg in a manner that would impose requirements on us that we, in our discretion, determine are impracticable or unduly burdensome, we may delist the notes. In these circumstances, we cannot assure you that we would obtain an alternative admission to listing, trading and/or quotation for the notes by another listing authority, exchange and/or system within or outside the European Union.

Trustee, Registrar, Paying Agent and Transfer Agent ..... The Bank of New York Mellon

Luxembourg Listing, Transfer and Paying ..... The Bank of New York Mellon (Luxembourg) S.A.

Agent .....	
Transfer Restrictions.....	The notes and the guarantees have not been, and will not be, registered under the Securities Act and, accordingly, are subject to limitations on transferability and resale. See “Transfer Restrictions” and “Plan of Distribution.”
Peruvian SBS Registration .....	The notes are registered with the Foreign Investment and Derivatives Instruments Registry ( <i>Registro de Instrumentos de Inversión y de Operaciones de Cobertura de Riesgo Extranjeros</i> ) of SBS in order to make the notes eligible for investment by Peruvian pension funds, as required by Peruvian law.
Risk Factors.....	You should consider carefully all of the information set forth in this offering memorandum and, in particular, you should evaluate the risks described under “Risk Factors” beginning on page 15.
Conditions to Closing.....	The closing of this offering was subject to certain conditions, including the completion of the Tender Offer and Consent Solicitation and the effectiveness of the Proposed Actions. See “Summary—The Refinancing Transaction.”

## Summary Financial Information

The following information is only a summary and should be read together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes elsewhere in this offering memorandum. The following summary financial information have been derived from our consolidated financial statements and related notes elsewhere in this offering memorandum, which have been prepared in accordance with IFRS as issued by the IASB.

Statement of Income data:	For the three months ended			For the year ended December 31,			
	March 31,						
	2014	2014	2013	2013	2013	2012	2011
	(US\$ in millions) <sup>(1)</sup>	(S/. in millions)		(US\$ in millions) <sup>(1)</sup>	(S/. in millions)		
Rental income.....	14.7	41.4	29.4	46.0	129.1	97.3	76.9
Income from management services <sup>(2)</sup> ..	8.8	24.6	17.8	30.5	85.6	56.8	40.9
Cost related to income from management services <sup>(2)</sup> .....	(6.8)	(19.1)	(13.6)	(22.4)	(63.0)	(44.5)	(32.2)
<b>Net rental income</b> .....	<b>16.7</b>	<b>46.9</b>	<b>33.7</b>	<b>54.0</b>	<b>151.7</b>	<b>109.6</b>	<b>85.6</b>
Cost of rental income.....	(1.6)	(4.6)	(2.7)	(4.6)	(12.8)	(8.0)	(6.5)
<b>Gross profit</b> .....	<b>15.1</b>	<b>42.3</b>	<b>31.0</b>	<b>49.5</b>	<b>138.9</b>	<b>101.6</b>	<b>79.1</b>
Fair value adjustments to investment properties.....	1.5	4.2	1.1	15.1	42.4	78.0	61.0
Selling and administrative expenses ...	(2.3)	(6.6)	(5.8)	(9.3)	(26.2)	(18.1)	(20.1)
Other income (expenses) net.....	0.0	0.1	1.1	0.5	1.4	0.2	(2.0)
<b>Operating profit</b> .....	<b>14.3</b>	<b>40.0</b>	<b>27.3</b>	<b>55.7</b>	<b>156.5</b>	<b>161.6</b>	<b>118.1</b>
Financial expense, net.....	(5.6)	(15.6)	(11.4)	(18.0)	(50.6)	(50.5)	(26.3)
Exchange difference, net.....	(0.9)	(2.5)	(9.9)	(17.8)	(49.9)	32.8	3.9
<b>Profit before income tax</b> .....	<b>7.8</b>	<b>21.9</b>	<b>6.0</b>	<b>20.0</b>	<b>56.0</b>	<b>143.9</b>	<b>95.6</b>
Income tax <sup>(3)</sup> .....	(2.4)	(6.8)	(2.3)	(6.1)	(17.2)	(39.2)	(14.8)
<b>Net profit</b> .....	<b>5.4</b>	<b>15.1</b>	<b>3.7</b>	<b>13.8</b>	<b>38.8</b>	<b>104.7</b>	<b>80.9</b>

(1) Translated to U.S. dollars for convenience only at the rate of S/2.808 = US\$1.00, the exchange rate reported on March 31, 2014 by the SBS. See “Exchange Rates.”

(2) Includes operating costs for the maintenance and management of our shopping malls billed directly to tenants.

(3) The Issuer will pay income tax only upon the distribution of dividends from operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Statement of financial position data:	As of March 31,			As of December 31,		
	2014	2014	2013	2013	2013	2012
	(US\$ in millions) <sup>(1)(2)</sup>	(S/. in millions) <sup>(1)</sup>		(US\$ in millions) <sup>(1)(2)</sup>	(S/. in millions) <sup>(1)</sup>	
<b>Assets</b>						
Cash and cash equivalents.....	14.4	40.5	80.8	28.8	80.8	215.7
Investments at fair value through profit or loss.....	—	—	—	—	—	440.0
Accounts receivables <sup>(3)</sup> .....	37.7	105.9	100.3	35.7	100.3	108.5
Prepaid expenses.....	1.5	4.1	4.9	1.7	4.9	3.5
Recoverable taxes.....	12.7	35.7	27.5	9.8	27.5	17.3
<b>Total current assets</b> .....	<b>66.3</b>	<b>186.2</b>	<b>213.5</b>	<b>76.0</b>	<b>213.5</b>	<b>785.0</b>
Investment properties <sup>(4)</sup> .....	763.5	2,143.8	2,052.9	731.1	2,052.9	1,365.8
Recoverable taxes.....	36.2	101.6	101.7	36.2	101.7	37.4
Other non current assets <sup>(5)</sup> .....	5.5	15.5	13.1	4.6	13.1	6.5
<b>Total non current assets</b> .....	<b>805.2</b>	<b>2,261.0</b>	<b>2,167.6</b>	<b>771.9</b>	<b>2,167.6</b>	<b>1,409.6</b>
<b>Total assets</b> .....	<b>871.5</b>	<b>2,447.1</b>	<b>2,381.1</b>	<b>848.0</b>	<b>2,381.1</b>	<b>2,194.6</b>
<b>Liabilities</b>						
Accounts payables <sup>(6)</sup> .....	32.6	91.6	82.5	29.4	82.5	51.0



	As of March 31,			As of December 31,		
	2014	2014	2013	2013	2013	2012
	(US\$ in millions) <sup>(1)(2)</sup>	(S/. in millions) <sup>(1)</sup>		(US\$ in millions) <sup>(1)(2)</sup>	(S/. in millions) <sup>(1)</sup>	
Current portion of financial obligations .....	5.0	14.2	15.0	5.3	15.0	8.6
<b>Total current liabilities</b> .....	<b>37.7</b>	<b>105.7</b>	<b>97.5</b>	<b>34.7</b>	<b>97.5</b>	<b>59.5</b>
Financial obligations .....	225.5	633.3	608.9	216.8	608.9	682.6
Deferred income tax liabilities .....	32.7	91.8	85.3	30.4	85.3	70.6
Other liabilities .....	10.0	28.1	16.3	5.8	16.3	8.9
Total non current liabilities .....	<b>268.2</b>	<b>753.2</b>	<b>710.5</b>	<b>253.0</b>	<b>710.5</b>	<b>762.1</b>
<b>Total liabilities</b> .....	<b>305.9</b>	<b>858.9</b>	<b>808.0</b>	<b>287.7</b>	<b>808.0</b>	<b>821.6</b>
Capital stock .....	525.5	1,475.7	1,475.7	525.5	1,475.7	1,315.7
Retained earnings .....	38.4	107.9	92.9	33.1	92.9	54.6
Non-controlling interest .....	1.6	4.6	4.5	1.6	4.5	2.7
<b>Total equity</b> .....	<b>565.6</b>	<b>1,588.2</b>	<b>1,573.1</b>	<b>560.2</b>	<b>1,573.1</b>	<b>1,372.9</b>

(1) Except percentages.

(2) Translated to U.S. dollars for convenience only at the rate of S/.2.808 = US\$1.00, the exchange rate reported on March 31, 2014 by the SBS. See "Exchange Rates."

(3) Includes trade receivables, accounts receivables from related parties and other receivables, including tax receivables. See notes 6 and 7 to the consolidated financial statements and related notes elsewhere in this offering memorandum.

(4) Includes the impact of marking our investment property valuations to market.

(5) Includes facilities, furniture and equipment, deferred income tax and other assets.

(6) Includes trade payables, accounts payable to related parties and other liabilities.

In this offering memorandum, we present Adjusted EBITDA and Adjusted EBITDA margin, each of which are non-IFRS financial measures. A non-IFRS financial measure does not have a standardized meaning prescribed by IFRS. We define Adjusted EBITDA as operating profit, plus depreciation and amortization, adjusted for the impact of marking to market the valuations of our investment properties. We define Adjusted EBITDA margin as Adjusted EBITDA divided by gross profit. We present Adjusted EBITDA and Adjusted EBITDA margin because we believe they provide investors with supplemental measures of the financial performance of our operations that facilitate period-to-period comparisons on a consistent basis. Our management also uses Adjusted EBITDA and Adjusted EBITDA margin from time to time, among other measures, for internal planning and performance measurement purposes. Adjusted EBITDA and Adjusted EBITDA margin should not be construed as alternatives to net profit or operating profit, as indicators of operating performance or as alternatives to cash flow provided by operating activities (in each case, as determined in accordance with IFRS). Adjusted EBITDA and Adjusted EBITDA margin, as calculated by us, may not be comparable to similarly titled measures reported by other companies. The reconciliations of net profit and operating profit for the periods indicated below to Adjusted EBITDA is as follows:

	For the three months ended			For the year ended			
	March 31,			December 31,			
	2014	2014	2013	2013	2013	2012	2011
	(US\$ in millions) <sup>(1)(2)</sup>	(S/. in millions) <sup>(1)</sup>		(US\$ in millions) <sup>(1)(2)</sup>	(S/. in millions) <sup>(1)</sup>		
<b>Net profit</b> .....	<b>5.4</b>	<b>15.1</b>	<b>3.7</b>	<b>13.8</b>	<b>38.8</b>	<b>104.7</b>	<b>80.9</b>
Add back net financial expenses .....	(5.6)	(15.6)	(11.4)	(18.0)	(50.6)	(50.5)	(26.3)
Add back exchange difference, net .....	(0.9)	(2.5)	(9.9)	(17.8)	(49.9)	32.8	3.9
Add back income tax .....	(2.4)	(6.8)	(2.3)	(6.1)	(17.2)	(39.2)	(14.8)
<b>Operating profit</b> .....	<b>14.3</b>	<b>40.0</b>	<b>27.3</b>	<b>55.7</b>	<b>156.5</b>	<b>161.6</b>	<b>118.1</b>
Add back depreciation and amortization .....	(0.1)	(0.4)	(0.2)	(0.4)	(1.1)	(0.6)	(0.5)
Add back impact of marking our investment properties to market <sup>(3)</sup> .....	1.5	4.2	1.1	15.1	42.4	78.0	61.0
<b>Adjusted EBITDA</b> .....	<b>12.9</b>	<b>36.2</b>	<b>26.4</b>	<b>41.0</b>	<b>115.1</b>	<b>84.2</b>	<b>57.6</b>
<b>Adjusted EBITDA Margin</b> .....	<b>77.2%</b>	<b>77.2%</b>	<b>78.3%</b>	<b>75.9%</b>	<b>75.9%</b>	<b>76.9%</b>	<b>67.3%</b>

(1) Except percentages.

(2) Translated to U.S. dollars for convenience only at the rate of S/.2.808 = US\$1.00, the exchange rate reported on March 31, 2014 by the SBS. See "Exchange Rates."

(3) We mark to market the valuations of our investment properties quarterly. All of our owned shopping malls are investment properties. For additional information, see note 11(d) to the consolidated financial statements and related notes elsewhere in this offering memorandum.

## RISK FACTORS

*An investment in the notes involves a high degree of risk. In addition to the other information contained in this offering memorandum, you should carefully consider the following risk factors before purchasing the notes. If any of the possible events described below occurs, our business, financial condition, results of operations or prospects could be materially and adversely affected. As a result, the value of the notes may decline and you could lose all or part of your investment. The risks and uncertainties below are those known to us and that we currently believe may materially affect us and the notes. To that extent, we may face additional risks and uncertainties not currently known to us or which as of the date of this offering memorandum or as of the date of any applicable pricing supplement we might not consider significant, which may adversely affect our businesses.*

### **Risks Relating to our Business**

#### ***Economic conditions that impact consumer spending could materially affect us.***

We may be materially affected by changes in economic conditions in the markets in which we operate that impact consumer confidence and spending, including discretionary spending to the extent such a slowdown affects our tenants' abilities to pay their rent or renew their leases. Ongoing global economic uncertainty could negatively affect consumer confidence and spending, including in Peru. Future economic conditions affecting disposable consumer income, such as employment levels, salary levels, business conditions, the availability of credit, interest rates, tax rates and fuel and energy costs, could also reduce overall consumer spending or cause consumers to shift their spending to lower-priced alternatives. The retail industry is negatively affected by decreases in the purchasing power of middle- and low-income consumers resulting from unfavorable economic cycles.

Moreover, the success of our operations depends to a significant extent on the stability or increase of consumer spending by members of middle- and low-income socioeconomic segments. Historically, the purchasing power of these segments has been significantly correlated with factors that affect income. Therefore, in times of economic downturns, the purchasing power of these segments decreases significantly as their income decreases. In addition, our middle- and low-income customers are likely to consider certain retail purchases superfluous during periods of reduced income, which would most likely lead to a decrease in demand for our discretionary products from these customers as well as lower traffic. Such a decrease in the demand of our middle- and low-income customers, coupled with a general decrease in their purchasing power, could materially and adversely affect us.

#### ***Our shopping malls face competition from other shopping mall operators and internet sales.***

We face competition from international and domestic operators of shopping malls such as Aventura Plaza, Open Plaza, Parque Arauco and Grupo Wong. Some of our competitors may have significantly greater financial resources than we do and therefore could be better positioned to take advantage of strategic acquisition opportunities, which could limit our growth. Additionally, some of our industry competitors also have affiliate retail tenants that compete with our affiliates, and thus, such tenants may choose to lease space in other malls. Increasing competition may cause us to lower our lease rates and take other actions that materially and adversely affect us or compel us to reduce our planned capital expenditures or otherwise forego growth opportunities. As other companies expand their operations in Peru and other international companies enter the Peruvian market, competition will continue to intensify. Our inability to respond effectively to competitive pressures and changes in the retail markets could materially and adversely affect us or cause us to lose market share. We cannot assure you that future competition will not materially and adversely affect our business.

Further, those competitors may have more flexibility than we do in their ability to offer rental concessions to attract tenants. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates to below those which we currently charge or to offer substantial rent abatements, tenant improvements, early termination rights or tenant-favorable renewal options in order to retain tenants when our tenants' leases expire. Also, we may be required to pay above market prices for new property acquisitions, or may be unable to acquire targeted properties at all. In the event the risks described herein materialize, our business, financial condition, results of operations and cash flow may be materially and adversely affected.

In addition, in recent years, retail sales of food, clothing and home improvement products over the internet have increased significantly in Peru. Internet retailers are able to sell directly to consumers, diminishing the importance of traditional distribution channels, including shopping malls. If internet sales continue to grow, consumers' reliance on traditional distribution channels such as its shopping malls could be materially diminished.

***We are subject to risks affecting shopping malls which may adversely affect our financial performance.***

Shopping centers are subject to various factors that affect their development, administration and profitability. These factors include the accessibility and the attractiveness of the area of the shopping mall, the consumer foot traffic and the level of sales of each shopping mall rental unit, oversupply of retail space or a reduction in demand for retail space possibly resulting in lower lease rates and lower revenues, increases in competition from other shopping malls which drive down our lease rates and profits, our inability to collect rents due to bankruptcy or insolvency of tenants, and the inability of our tenants to provide adequate maintenance and insurance.

***Our results of operations and financial condition are subject to risks associated with real estate operations.***

Our shopping malls business is subject to risks common to commercial properties in general, many of which are not within our control. Our ability to service our debt depends on the level of sales or rental income generated and expenses incurred and may be adversely affected by the following factors, among others, many of which are not within our control:

- civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which could result in uninsured or underinsured losses;
- legal reform and governmental regulations, especially those governing land-usage, zoning and real property taxes);
- oversupply of retail space or a reduction in demand for retail space, resulting in lower rent prices and lower revenues;
- increased competition from other shopping mall operators which might drive down our prices and profits;
- increases in operating costs due to inflation and other factors such as insurance expense, utilities, real estate taxes, and heightened security and cleaning costs; and
- the need to periodically renovate, repair and re-lease space.

The occurrence of any combination of the factors listed above could significantly increase the costs of our shopping mall operations.

***Existing and new regulatory requirements may adversely affect our business.***

Our business is subject to numerous governmental and local regulations, including the operating and security standards of the Peruvian National Civil Defense Institute (Instituto Nacional de Defensa Civil, or "INDECI") and governmental and local agencies, as well as laws and regulations relating to historical heritage, use of the soil, consumer protection and safety matters. We cannot assure you that a regulatory agency or court of law would determine that we are fully compliant with such laws and regulations.

In addition, our operations may be affected by regulations specific to the regions and cities in which we operate, such as zoning regulations and marketing restrictions. In particular, because a significant number of our shopping malls are located in the Lima metropolitan area, any additional or more onerous regulations or restrictions enacted by the region of Lima or the city of Lima and the other municipalities constituting the Lima metropolitan area may have an adverse effect on our business and growth strategy.

Untimely compliance or non-compliance with applicable laws and regulations could result in the imposition of civil and regulatory penalties that could adversely affect the continued operation of our business, including: loss of

required government certifications; loss of licenses to operate one or more of our locations or to perform certain commercial activities; significant fines or monetary penalties; or closing of our locations as a preventative measure.

In addition, changes in these laws and regulations may restrict our existing operations, limit the expansion of our business and require extensive system and operating changes that may be difficult or costly to implement.

***Our growth strategy may not be successful.***

Our growth depends primarily on our ability to successfully open and operate GLA in shopping malls by negotiating the rights to operate shopping mall properties, as well as identifying development opportunities on terms we believe to be adequate. Accordingly, we constantly evaluate the market potential and return on investment for new locations and negotiate acquisition or leasing terms. Upon approval by our management, we obtain the authorizations necessary to operate our shopping malls. The opening and operation of new shopping malls, however, is subject to various risks and uncertainties. Our growth capacity may be adversely affected if we, for example, are not able to find suitable locations or if acquisition or leasing terms are unfavorable to us or we are unable to make or finance investments necessary to renovate properties. Furthermore, land-use regulations and zoning laws in the regions in which we operate may make sourcing and securing desirable locations expensive and difficult.

The opening and operating of new shopping malls will place increased demands on our operational, managerial and administrative resources. These increased demands could cause us to operate our business less effectively, which in turn could cause deterioration in our financial performance.

***We are subject to risks associated with development and construction activities.***

We are engaged in the development and construction of shopping malls, primarily through third party contractors. Risks associated with our development and construction activities include the following, among others:

- abandonment of development opportunities and renovation proposals;
- unexpected increases in the cost of improvements to bring a property up to certain standards or in construction costs due to higher interest rates or costs of materials and labor, making a project unprofitable;
- fluctuating occupancy rates and rents at completed shopping malls due to market and economic conditions, resulting in lower than projected rental rates and a corresponding lower return on our investment;
- construction delays due to weather, man-made or natural disasters, among other reasons, resulting in increased debt service expense and construction costs;
- our pre-acquisition evaluation of the physical condition of each new investment may not detect certain defects or identify necessary repairs, which could significantly increase our total acquisition costs;
- our investigation of a property or land prior to our acquisition, and any representations we may receive from the seller of such property or land, may fail to reveal various liabilities, which could reduce the cash flow from the property or increase our acquisition cost;
- impossibility, difficulties or delays in obtaining necessary zoning, land use, building, occupancy and other required governmental permits and authorizations, or building moratoria and anti-growth legislation; and
- general economic fluctuations, exacerbated by the significant time lags between the commencement and completion of projects.

In addition, we may incur capital expenditures for projects that could result in considerable time consuming efforts and which may never be completed due to government restrictions.

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

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

- our estimates of the cost of improvements needed to bring the property up to established standards for the market may prove to be inaccurate;
- properties we acquire may fail to achieve within the time frames we project the occupancy or rental rates we project at the time we make the decision to acquire, which may result in the properties' failure to achieve the returns we projected;
- our pre-acquisition evaluation of the physical condition of each new investment may not detect certain defects or identify necessary repairs, which could significantly increase our total acquisition costs; and
- our investigation of a property or building prior to our acquisition, and any representations we may receive from the seller of such building or property, may fail to reveal various liabilities, which could reduce the cash flow from the property or increase our acquisition cost.

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

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

The substantial majority of our income is derived from rental income from our shopping malls. As a result, our performance depends on our ability to collect rent from tenants. Our revenues would be negatively affected if a significant number of our tenants, or any of our major tenants (as discussed in more detail below):

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

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

***The loss of key tenants could adversely affect both the revenues and value of our business.***

Our shopping malls are typically anchored by key tenants, such as well known department stores, which generate shopping traffic at the shopping mall. A decision by an anchor tenant or other significant tenant to cease operations at one or more of our properties could have a material adverse effect on those properties and, by extension, on our financial condition and results of operations. The closing of an anchor or other significant tenant may allow other tenants at an affected property to terminate their leases, to seek rent relief and/or cease operating their stores or otherwise adversely affect occupancy at the property.

If certain of our most important tenants were to experience financial difficulties, including bankruptcy, insolvency or a general downturn of business, or if we simply failed to retain their patronage, our business could be adversely affected. If we are not able to successfully re-lease the affected space, bankruptcy and/or closure of one or

more key tenants, could have a material adverse effect on both shopping mall revenues and the underlying value of the properties involved.

***We may be adversely affected by our relationships with Intercorp Peru or other related parties, whose activities we cannot control.***

We both lease property from, and lease property to, several affiliates who are part of Intercorp Peru. We are also dependent, to a certain extent, on affiliates of Intercorp Peru for the availability and quality of other services. Some of our most important anchor tenants are owned by Intercorp Peru or other related parties, and these anchor tenants typically represent 60-80% of our GLA. The failure to renew, or the early termination of, leases or other agreements with our related parties may adversely affect our business.

In addition, we cannot control the activities of Intercorp Peru or other related parties. The business interests of our related parties may not be consistent with ours. Differing business interests could result in adverse effects to our business or a loss of competitive opportunities for our business.

***Eviction proceedings in Peru are difficult and time consuming, and therefore we may not be able to evict defaulting tenants.***

Although Peruvian laws allow a summary proceeding to collect unpaid rent and a special proceeding to evict tenants, eviction proceedings in Peru are time consuming. Eviction proceedings generally take between six months and two years from the date of filing of the suit to the time of actual eviction, as the heavy workload of the courts and the numerous procedural steps required have generally delayed landlords' efforts, including ours, to evict tenants. Historically, delinquency regarding our rental space has been low, as we have usually attempted to negotiate the termination of lease agreements with defaulting tenants after the first few months of non-payment in order to avoid legal proceedings. We cannot assure you, however, that delinquency rates in the future will not increase significantly, or that our negotiations with tenants will prove to be as successful as they have been in the past.

***Our success depends on key members of our management.***

Our success depends largely on the efforts and strategic vision of our executive management team. The loss of the services of some or all of our executive management could have a material adverse effect on our business.

The execution of our business plan also depends on our ongoing ability to attract and retain additional other qualified employees. If we are unable to hire, train and retain qualified employees at a reasonable cost, we may be unable to successfully operate our business or reach full planned production levels in a timely manner and, as a result, our business could be adversely affected.

***Our shopping mall results are seasonal and, therefore, any circumstance that negatively impacts our business during our seasons of high demand may adversely affect us.***

Approximately 14 percent of our annual rental income in 2013 was from variable rental income, tied to the economic results of our tenants. Historically, we have experienced distinct seasonal sales patterns at our shopping malls (as a result of the reliance on the activity levels of department stores in the shopping malls) due to heightened consumer activity throughout the Mother's Day (May), Father's Day (June), Independence Day (July), Christmas and New Year holiday seasons. The department stores from which our shopping malls earn variable lease payments promote the sale of non-food items by discounting imported goods, such as toys, throughout the Christmas holiday season. Conversely, we usually experience a decrease in sales during the summer vacation months of January and February. We expect that this seasonality will continue in the future. Any economic slowdown, interruption to our business or to the business of our suppliers, or the occurrence of any other circumstance that may impact our business during December of any year may, therefore, adversely affect our business.

***Our existing insurance coverage may be insufficient and future coverage may be difficult or expensive to obtain.***

Although we believe that our insurance policies provide adequate coverage for the risks inherent in our business, these insurance policies typically exclude certain risks and are subject to certain thresholds and limits. We cannot assure you that our shopping mall properties will not suffer damages due to unforeseen events or that the proceeds available from our insurance policies will be sufficient to protect us from all possible loss or damage resulting from such events. We renew our insurance policies on an annual basis. The cost of coverage may increase to an extent that we may choose to reduce our policy limits or agree to certain exclusions from our coverage. Among other factors, adverse political developments, security concerns and natural disasters may materially adversely affect available insurance coverage and result in increased premiums for available coverage and additional exclusions from coverage. As a result, our insurance coverage may prove to be inadequate for events that may cause significant disruption to our operations, which may have a material adverse effect on our business.

***Our trademarks and trade names may be misappropriated or challenged by others.***

We own the Real Plaza trademark and trade name rights used in connection with our shopping malls. We believe our brand name and related intellectual property are important to our continued success. We attempt to protect our trademarks and trade names by exercising our rights under applicable trademark and copyright laws. Any infringement of our intellectual property rights in Peru would likely result in a commitment of our time and resources to protect these rights through litigation or otherwise, which could be expensive and time-consuming. If we were to fail to protect our intellectual property rights for any reason, it could have an adverse effect on our business, results of operations and financial condition.

## **Risks Relating to Peru**

***Economic, political and social developments in Peru could adversely affect our business.***

All of our operations and customers are located in Peru. Our results of operations and financial condition could be affected by changes in economic and other policies of the Peruvian government, and by other economic, social and political developments in Peru, including devaluation, currency exchange controls, inflation, economic downturns, political instability, social unrest and terrorism.

In the past, Peru has experienced political instability that has included a succession of regimes with differing economic policies and programs. Previous governments have imposed controls on prices, exchange rates, local and foreign investment and international trade, restricted the ability of companies to dismiss employees, expropriated private sector assets and prohibited the remittance of profits to foreign investors. We cannot be certain whether the Peruvian government will continue to pursue business-friendly and open-market economic policies that stimulate economic growth and social stability.

During the 1980s and the early 1990s, Peru experienced severe terrorist activity targeted against, among others, the government and the private sector. Despite the suppression of terrorist activity, we cannot assure you that a resurgence of terrorism in Peru will not occur, or that if there is such a resurgence, it will not disrupt the economy of Peru and our business. In addition, Peru has, from time to time, experienced social and political turmoil, including riots, nationwide protests, strikes and street demonstrations. Despite Peru's ongoing economic growth and stabilization, the social and political tensions and high levels of poverty and unemployment continue. Future government policies to preempt or respond to social unrest could include, among other things, expropriation, nationalization, suspension of the enforcement of creditors' rights and new taxation policies. These policies could adversely and materially affect the Peruvian economy and our business.

***A significant devaluation of the nuevo sol or volatility in exchange rates could adversely affect us.***

A significant devaluation of the nuevo sol may affect us due to the fact that substantially all of our revenues are incurred in nuevos soles while 85.7% of our indebtedness, as of March 31, 2014, is denominated in U.S. dollars. Volatility in exchange rates may also increase the costs of our lease rates that we may not be able to pass on to our tenants; impair the purchasing power of our tenants' customers in different markets; result in significant competitive

benefits to certain of our competitors who incur a greater part of their costs in other currencies than we do; hamper our pricing; or increase our hedging costs and limit our ability to hedge our exchange rate exposure.

Moreover, we are exposed to currency mismatch risks. Most of our debt is in U.S. dollars, while most of our revenues are in nuevos soles. As a result, a depreciation of the nuevo sol against the U.S. dollar would increase the cost of our debt service obligations, which could be exacerbated by acquisition debt, which would have negative consequences for us.

***The re-implementation of certain laws by the Peruvian government, most notably restrictive exchange rate policies, could materially and adversely affect our ability to make payments on the notes and the guarantees.***

Since 1991, the Peruvian economy has experienced a significant transformation from a highly protected and regulated system to a free market economy. In 1991, President Fujimori's administration eliminated all foreign exchange controls and unified the exchange rate. Currently, foreign exchange rates are determined by market conditions, with regular operations by the Central Bank of Peru in the foreign exchange market in order to reduce volatility in the value of Peru's currency against the U.S. dollar. Since the early 1990s, protectionist and interventionist laws and policies have been gradually dismantled to create a liberal economy dominated by market forces. However, the Peruvian government may institute restrictive exchange rate policies in the future. Any such restrictive exchange rate policy could affect our ability to engage in foreign exchange activities, and could also materially and adversely affect us.

In addition, if the Peruvian government were to institute restrictive exchange rate policies in the future, we might be obligated to seek an authorization from the Peruvian government to make payments on the notes and the guarantees. We cannot assure you that such an authorization would be obtained. Any such exchange rate restrictions or the failure to obtain such an authorization could materially and adversely affect our ability to make payments under the notes and the guarantees.

***Increased inflation in Peru could adversely affect the Peruvian economy and our business.***

In the past, Peru, has suffered through periods of high and hyper-inflation, which has materially undermined the Peruvian economy and the government's ability to create conditions that would support economic growth. In response to increased inflation, the Central Bank, which sets the Peruvian basic interest rate, may increase or decrease the basic interest rate in an attempt to control inflation or foster economic growth. Increases in the base interest rate could adversely affect our results of operations, increasing the cost of certain funding. Additionally, a return to a high inflation environment would also undermine Peru's foreign competitiveness, with negative effects on the level of economic activity and employment, while increasing our operating costs and adversely impacting our operating margins if we are unable to pass the increased costs on to our customers.

***Changes in tax laws or their interpretation may increase our tax burden and, as a result, negatively affect our business.***

The Peruvian congress and government regularly implement changes to tax laws that may increase our tax burden. These changes may include modifications in our tax rates and, on occasion, the enactment of temporary taxes that in some cases have become permanent taxes. Tax reforms related to the Peruvian income tax, VAT and tax code have recently been approved, but we are unable to estimate the impacts that these reforms may have on business.

The effects of any tax reforms that could be proposed in the future and any other changes that result from the enactment of additional reforms have not been, and cannot be, quantified. However, any changes to our tax regime or interpretations thereof (including in connection with the tax rates, tax base (*base imponible*), deductions rules, payments in account regime (*regimen de pagos a cuenta*), time of payment or the establishment of new taxes thereof, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies—Taxes") may result in increases in our overall costs and/or our overall compliance costs, which could negatively affect our results of operation.



***Severe weather, natural disasters and adverse climate changes may materially adversely affect our business.***

Severe weather conditions and other natural disasters in areas in which we have shopping malls may materially adversely affect our business. Peru is located in an area that experiences seismic activity and occasionally is affected by earthquakes. For example, in 2007, an earthquake with a magnitude of 7.9 on the Richter scale struck the central coast of Peru, severely damaging the region south of Lima. Such conditions may result in physical damage to our properties, closure of one or more of our shopping centers or our tenants stores, inadequate work forces in our markets, temporary disruptions in the supply of products to our tenants, delays in the delivery of goods to our tenants' stores and a reduction in the availability of products in our tenants' stores. In addition, adverse climate conditions (due to climate change or otherwise) and adverse weather patterns, such as droughts or floods that impact growing conditions and the quantity and quality of crops, may materially adversely affect the availability or cost of certain commodities or other products within our supply chain. For example, Peru is affected by El Niño, an oceanic and atmospheric phenomenon that causes a warming of temperatures in the Pacific Ocean, resulting in heavy rains off the coast of Peru and potentially flooding and the destruction of fish populations and agriculture. Any of these factors may disrupt and materially adversely affect our business.

***The Peruvian economy could be adversely affected by economic developments in regional or global markets.***

Financial and securities markets in Peru are influenced by economic and market conditions in regional or global markets. Although economic conditions vary from country to country, investors' perceptions of events occurring in one country may adversely affect cash flows and securities from issuers in Peru. For example, the economy of Peru was adversely affected by the political and economic events that occurred in several emerging economies in the 1990s, including in Mexico in 1994, which impacted the market value of securities issued by companies from countries throughout Latin America. The crisis in Asian markets beginning in 1997 also negatively affected countries throughout Latin America. Similar adverse consequences resulted from the economic crisis in Russia in 1998, the Brazilian devaluation in 1999 and the Argentine crisis in 2001. In addition, the economy of Peru continues to be affected by events in the economies of their major regional partners and in developed economies that are trading partners or that affect the global economy.

During the recent global economic and financial crisis, global conditions led to a slowdown in economic growth in Peru, slowing GDP growth in 2009 to 0.9%. In particular, the Peruvian economy suffered the effects of lower commodity prices in the international markets, a decrease in export volumes, a decrease in foreign direct investment inflows and, as a result, a decline in foreign reserves.

Adverse developments in regional or global markets or an increase in the perceived risks associated with investing in emerging markets in the future could adversely affect the Peruvian economy and, as a result, adversely affect our business, financial condition and results of operations.

**Risks Relating to the Notes and the Guarantees**

***The Issuer has no operations of its own.***

The Issuer is a Peruvian trust, acting through the ISM Trustee, whose certificates of participation are 100% held by InRetail RE. The Issuer has no operations of its own. Its principal purpose is to serve as an intermediate holding company of our shopping mall business. See "Description of the Issuer."

***Our substantial indebtedness may make it difficult for us to service our debt, including the notes, and to operate our businesses.***

We have, and after the offering of the notes continue to have, a significant amount of indebtedness. As of March 31, 2014, after excluding intercompany balances and intercompany guarantees, calculated on an as adjusted basis and adjusted to give effect to this offering of notes, including the use of proceeds described herein, as if all such the transactions had occurred on March 31, 2014, we had S/.1,172.3 million (US\$417.4 million) of outstanding consolidated indebtedness (excluding intercompany indebtedness), of which S/.175.6 million (US\$62.6 million) was secured indebtedness. We anticipate that our substantial indebtedness will continue to exist, and may increase, in the foreseeable future. Our substantial indebtedness, and the restrictions in the documents that govern our indebtedness, may have important negative consequences for you, including:

- making it more difficult for us and the guarantors to satisfy our obligations with respect to our debt, including the notes and other liabilities;
- requiring that a substantial portion of the cash flow from operations of our operating subsidiaries be dedicated to debt service obligations, thus reducing the availability of cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability to economic downturns in our industry;
- exposing us to interest rate increases;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- limiting our flexibility in planning for or reacting to changes in our business and our industry;
- restricting us from pursuing strategic acquisitions or exploiting certain business opportunities; and
- limiting, among other things, our and the guarantors' ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

Furthermore, an actual or impending inability by us or the guarantors to pay debts as they become due and payable could result in our insolvency.

***Despite our current substantial indebtedness, we may incur additional debt ranking equally to the notes or secured debt, which could further exacerbate the risks of our indebtedness.***

Subject to the limitations contained therein, the indenture allows us to incur additional debt that ranks on an equal and ratable basis with the notes. If we incur any additional debt that ranks on an equal and ratable basis with the notes, the holders of that debt will be entitled to share ratably with the holders of the notes in any proceeds distributed in connection with an insolvency, liquidation, reorganization, dissolution or other winding-up of us subject to satisfaction of certain debt limitations. We may also incur additional debt that could mature prior to the notes. This may have the effect of reducing the amount of proceeds paid to you. Subject to certain limitations, we also have the ability to incur secured debt and such debt would be effectively senior to the notes to the extent of the value of the assets securing such debts. Any such additional debt could further exacerbate the risks of our indebtedness. See "Description of the Notes—Certain Covenants— Maintenance of Unencumbered Assets and — Limitation on Indebtedness."

***The notes are structurally subordinated to the indebtedness and other liabilities of any of our subsidiaries that do not become guarantors.***

The notes are not guaranteed by all of our subsidiaries and therefore are structurally subordinated to the outstanding indebtedness and other liabilities of any of our subsidiaries that do not become guarantors. In particular, the notes are not secured or guaranteed by the underlying properties themselves, as title or lease rights to the majority of our properties belong to Interproperties Peru, a non-guarantor subsidiary. If one of our subsidiaries who

is not a guarantor were to be liquidated, the creditors of that subsidiary would be paid in full from the assets of the liquidated subsidiary before holders of notes would be paid from those assets.

***The notes and the guarantees are not secured by any of our assets and therefore are effectively subordinated to any of our and our guarantors' existing and future secured indebtedness.***

The notes and the guarantees are general unsecured obligations ranking effectively junior in right of payment to all of our and our guarantors' existing and future secured debt obligations to the extent of the value of the assets securing such debt. In addition, the indenture governing the notes permits the incurrence of additional debt, some of which may be secured debt. In the event that the Issuer or a Guarantor is declared bankrupt, becomes insolvent or is liquidated or organized, creditors whose debt is secured by our assets and those of the Guarantors will be entitled to the remedies available to secured holders under applicable laws, including foreclosure on the assets securing such debt, before any payment may be made with respect to the notes or the relevant guarantees. As a result, there may be insufficient assets to pay amounts due on the notes and holders of the notes may receive less, ratably, than the holders of secured indebtedness.

***Our obligations under the notes and the guarantees are subordinated to certain statutory liabilities.***

Under Peruvian law, our obligations under the notes and the guarantees are subordinated to certain statutory preferences. In the event of our liquidation, such statutory preferences, including claims for salaries, wages, secured obligations, social security, taxes, court fees and expenses related thereto, will have preference over any other claims, including claims by any investor in respect of the notes and the guarantees.

***The results of operations of the Subsidiary Guarantors and restrictions on the ability of our subsidiaries to make dividend payments or other distributions to the Issuer could affect our ability to make payments on the notes.***

The material assets of the Issuer are (i) certificates of participation that grant certain rights to the proceeds from shopping malls and real properties owned by Interproperties Holding and Interproperties Holding II and (ii) equity interests in its subsidiaries, including the Subsidiary Guarantors. Accordingly, the results of its subsidiaries (in particular Interproperties Peru) could affect the Issuer's ability to make principal or interest payments on the notes. The ability of the Subsidiary Guarantors to make dividend, distributions or other payments to us are affected by, among other factors, the obligations of the Subsidiary Guarantors to their creditors, requirements under their organizational documents or the relevant corporate and other laws in Peru, and restrictions contained in agreements entered into by or relating to these entities. In the event that we do not receive dividend, distributions or other payments from the Subsidiary Guarantors, the Issuer may not be able to make required principal and interest payments on its indebtedness, including the notes, or honor its other obligations, and you may be forced to make a claim against the Subsidiary Guarantors.

To the extent that any of our subsidiaries are not guarantors, such non-guarantor subsidiaries do not have an obligation to pay amounts due on the notes or to make funds available to the Issuer for that purpose. While the indenture governing the notes limits the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make intercompany payments to the Issuer, these limitations are subject to certain qualifications and exceptions.

***It is possible that the guarantees may not be enforceable in the event of insolvency, liquidation or bankruptcy or may be limited as to enforcement.***

The guarantees provide a basis for a direct claim against the guarantors. However, it is possible that the guarantees may not be enforceable under the law of the jurisdiction of the organization of such guarantor or U.S. federal or state law. In particular, while the laws of these jurisdictions do not prevent the guarantees from being granted, in the event that a guarantor is declared insolvent, bankrupt or is liquidated, the relevant guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it provided our guarantee:

- issued such guarantee by means of misrepresentation;

- provided the guarantee with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to provide, or believed that it would provide, the guarantee beyond our ability to repay it upon our maturity.

If a court (or analogous entity in the applicable jurisdiction) were to find that the incurrence of the guarantee was a fraudulent transfer or conveyance, the court could void the payment obligations under such guarantee or subordinate the guarantee to presently existing and future indebtedness of the applicable guarantor, or require the holders of the notes to repay any amounts received in respect of such guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any payment on the notes in respect of such guarantee.

Although each guarantee entered into by a subsidiary contains a provision intended to limit such guarantor's liability to the maximum amount that it could incur without causing the incurrence of obligations under our guarantee to be a fraudulent transfer, this provision may not be effective to protect those guarantees from being voided under fraudulent transfer law, or may reduce that guarantor's obligation to an amount that effectively makes our guarantee worthless.

***Holders of the notes may find it difficult to enforce civil liabilities against us or our directors, officers and trustees.***

The Parent Guarantor is organized under the laws of Panama. The Issuer and the Subsidiary Guarantors are organized under the laws of Peru. All of our directors, trustees and officers reside outside of the United States. In addition, all or a substantial portion of our assets are located outside of the United States. As a result, it may be difficult for holders of the notes to effect service of process within the United States on such persons or to enforce judgments against them or us, including in any action based on civil liabilities under the U.S. federal securities laws. There is uncertainty as to the enforceability against such persons in Peru, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws. In addition, the bankruptcy, liquidation, insolvency, laws governing trusts, administrative and other laws of Panama and/or Peru may be materially different from, or in conflict with, each other, including in the areas of rights of creditors, priority of government entities and other third-party and related-party creditors, treatment of intercompany debt, ability to obtain post-bankruptcy filing loans or to pay interest and the duration of proceedings. The laws of these jurisdictions, may not be as favorable to your interests as the laws of jurisdictions with which you are familiar. The application of these laws, or any conflict among them, could call into question what and how the laws of Peru should apply. See "Service of Process and Enforcement of Civil Liabilities."

***The notes and the guarantees are a new issue of securities for which there is currently no public market. You may be unable to sell your notes if a trading market for the notes does not develop.***

The notes constitute a new issue of securities. There is no existing market for trading of the notes, and we cannot assure you that in the future a market for the notes will develop, or that you will be able to sell any notes you have purchased, or that any such notes may be sold for any particular price. Although we have applied to list the notes on the Euro MTF Market of the Luxembourg Stock Exchange, we cannot provide you with any assurances regarding the future development of a market for the notes, the ability of holders of the notes to sell their notes, or the price at which such holders may be able to sell their notes. If such market were to develop, the notes could trade at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, our results of operations and financial condition, political and economic developments in and affecting Peru and the markets for similar securities.

In addition, trading or resale of the notes (or beneficial interests therein) may be negatively affected by other factors described in this offering memorandum arising from this transaction or the market for securities of Peruvian issuers generally. As a result, we cannot assure you the level of liquidity of any trading market for the notes and, as a result, you may be required to bear the financial risk of your investment in the notes indefinitely.

***There are restrictions on your ability to transfer the notes.***

The notes and the guarantees have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemptions include offers and sales that occur outside the United States in compliance with Regulation S and in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A. For a discussion of certain restrictions on resale and transfer, see “Plan of Distribution” and “Transfer Restrictions.” Consequently, a holder of notes and an owner of beneficial interests in those notes must be able to bear the economic risk of their investment in the notes and the guarantees for the term of the notes and the guarantees.

***We may not have the ability to raise the funds necessary to finance the change of control offer required by the indenture governing the notes.***

Under the indenture governing the notes, if a Change of Control Event (as defined in the indenture) occurs, we must offer to purchase the notes for a price equal to 101% of the principal amount of the notes, plus any accrued and unpaid interest to the date of purchase. In the event of a Change of Control Event, we may need to refinance large amounts of our debt, including the notes and indebtedness under certain of our credit facilities or other debt instruments. We may not have sufficient funds available to us to make any required repurchases of the notes upon a Change of Control Event. If we fail to repurchase the notes in those circumstances, we will be in default under the indenture, which default may, in turn, trigger cross-default provisions in our other debt instruments. Any future debt that we incur may also contain restrictions on repurchasing the notes upon a Change of Control Event.

***We cannot assure you that the credit ratings for the notes will not be lowered, suspended or withdrawn by the rating agencies.***

The credit ratings of the notes may change after issuance. Such ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. An explanation of the significance of such ratings may be obtained from the rating agencies. We cannot assure you that such credit ratings will remain in effect for any given period of time or that such ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any lowering, suspension or withdrawal of such ratings may have an adverse effect on the market price and marketability of the notes.

Negative developments in our business, results of operations and financial condition or other factors could cause the ratings agencies to lower the credit ratings, or ratings outlook, of our short- and long-term debt and, consequently, impair our ability to raise new financing or refinance our current borrowings and increase our costs of issuing any new debt instruments. Any of these factors could adversely affect our business.

***Developments in other countries may adversely affect the market value of the notes.***

The market price of the notes may be adversely affected by developments in the international financial markets and world economic conditions. Peruvian securities markets are influenced, to varying degrees, by economic and market conditions in other countries, especially those in Latin America and other emerging markets. Although economic conditions are different in each country, investor reaction to the developments in one country may affect the securities of issuers in other countries, including Peru. We cannot assure you that the market for the securities of Peruvian issuers will not be affected negatively by events elsewhere or that such developments will not have a negative impact on the market value of the notes.

***We may choose to redeem the notes and you may be unable to reinvest the proceeds at the same or a higher rate of return.***

The Issuer may redeem the notes, in whole or in part, prior to July 9, 2018, at a redemption price equal to the greater of (1) 100% of the principal amount of such notes and (2) the sum of the present value at such redemption date of (i) the redemption price of the notes on July 9, 2018 (such redemption price being set forth in the table below under “Description of the Notes—Option Redemption—Optional Scheduled Redemption”) plus (ii) all required interest payments thereon through July 9, 2018 (excluding accrued but unpaid interest to the redemption date), discounted to the redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the treasury rate plus 50 basis points. The Issuer may also redeem the notes, in whole or in part, on or after July 9, 2018 at the redemption prices set forth herein. In addition, the Issuer may redeem the notes, in whole but not in part, at a price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest, if any, to the date of redemption, and any additional amounts, in the event of certain changes in tax laws. At any time on or prior to July 9, 2017, the Issuer may also redeem up to 35% of the notes using the proceeds of certain equity offerings at the redemption price of 106.500% of the outstanding principal amount plus accrued and unpaid interest, if any, to the date of redemption. See “Description of the Notes—Optional Redemption.” We may choose to redeem the notes at times when prevailing interest rates may be relatively low.

Accordingly, you may not be able to reinvest the redemption proceeds in a comparable security with an effective interest rate as high as that of the notes.

***Different disclosure principles in Peru and the United States may provide you with different or less information about us than you expect.***

Securities disclosure requirements in Peru differ from those applicable in the United States. Accordingly, the information about us available to you may not be the same as the information available to security holders of a U.S. company. There may be less publicly available information about us than is regularly published about companies in the U.S. and certain other jurisdictions. We are not subject to the periodic reporting requirements of the Exchange Act and, therefore, are not required to comply with the information disclosure requirements that it imposes.

## EXCHANGE RATES

The table below sets forth the high, low, average and period ending exchange rates, expressed in nuevos soles per U.S. dollar, for the years indicated.

<b>Year ended December 31,</b>	<b>Nuevos soles per US\$<sup>(1)</sup></b>			
	<b>High</b>	<b>Low</b>	<b>Average<sup>(2)</sup></b>	<b>Period Ending</b>
2009 .....	3.259	2.852	3.012	2.890
2010 .....	2.883	2.787	2.825	2.809
2011 .....	2.833	2.694	2.754	2.696
2012 .....	2.571	2.547	2.638	2.551
2013 .....	2.815	2.538	2.723	2.797
2014 (through July 21) .....	2.825	2.765	2.799	2.791

(1) Source: SBS.

(2) The average of buying rates for U.S. dollars on the last business day of each month during the applicable period.

The table below sets forth the high, low and period ending exchange rates, expressed in nuevos soles per U.S. dollar, for each of the seven months prior to the date of this offering memorandum.

<b>Month</b>	<b>Nuevos soles per US\$<sup>(1)</sup></b>		
	<b>High</b>	<b>Low</b>	<b>Period Ending</b>
January 2014.....	2.823	2.800	2.823
February 2014.....	2.825	2.799	2.799
March 2014.....	2.816	2.798	2.808
April 2014.....	2.814	2.768	2.807
May 2014.....	2.804	2.765	2.766
June 2014.....	2.806	2.777	2.796
July 2014 (through July 21).....	2.796	2.771	2.791

(1) Source: SBS.

The nuevos soles per U.S. dollar exchange rate on July 21, 2014 was S/.2.791 = US\$1.00.

The Federal Reserve Bank of New York does not report a noon buying rate for nuevos soles.

Our inclusion of such translations is not meant to suggest that the U.S. dollar amounts actually represent such nuevos soles amounts or that such amounts could have been converted into nuevos soles at such rate or any other rate. For a discussion of the impact of the exchange rate fluctuations on our financial condition and results of operations, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

## **USE OF PROCEEDS**

The net proceeds from the sale of the notes was approximately US\$344.8 million, after deducting certain transaction expenses (including fees and commissions payable to the initial purchasers).

We intend to use the net proceeds from the offering (i) to purchase any and all of the outstanding Interproperties Notes validly tendered, not withdrawn and accepted for purchase, pursuant to the Offer to Purchase and Consent Solicitation Statement, for a total amount of US\$179.7 million, not including transaction costs or repurchase premium, (ii) to purchase the land for our Puruchuco shopping mall from Interseguro for approximately US\$35.5 million, (iii) for capital expenditures to support our business of approximately US\$75 million and (iv) the remainder, if any, for general corporate purposes.



## CAPITALIZATION

The following table sets forth on a consolidated basis our cash and cash equivalents and our capitalization as of March 31, 2014:

- On a historical basis for the Company;
- On an as adjusted basis to give effect to the use of proceeds from this offering as described in “Use of Proceeds.”

You should read this table in conjunction with “Use of Proceeds,” “Selected Financial Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes thereto included elsewhere in this offering memorandum.

	<b>As of March 31, 2014</b>			
	<b>Historical</b>	<b>As adjusted</b>	<b>Historical</b>	<b>As adjusted</b>
	<b>(US\$ in millions)<sup>(1)</sup></b>		<b>(S/. in millions)<sup>(1)</sup></b>	
<b>Cash and cash equivalents</b>	<b>14.4</b>	<b>142.7</b>	<b>40.5</b>	<b>400.7</b>
<b>Short-term debt:</b>				
Financial obligations.....	5.0	5.0	14.2	14.2
<b>Total short-term debt</b> .....	<b>5.0</b>	<b>5.0</b>	<b>14.2</b>	<b>14.2</b>
<b>Long-term debt:</b>				
Financial obligations.....	225.5	62.4	633.3	175.3
Notes offered hereby .....	—	350.0	—	982.8
<b>Total long-term debt<sup>(2)</sup></b> .....	<b>225.5</b>	<b>412.4</b>	<b>633.3</b>	<b>1,158.1</b>
<b>Shareholders’ equity:</b>				
Capital stock .....	525.5	525.5	1,475.7	1,475.7
Unrealized results on financial instruments.....	—	—	—	—
Retained earnings .....	38.4	38.4	107.9	107.9
Non-controlling interest.....	1.6	1.6	4.6	4.6
<b>Total shareholders’ equity</b> .....	<b>565.6</b>	<b>565.6</b>	<b>1,588.2</b>	<b>1,588.2</b>
<b>Total capitalization</b> .....	<b>796.2</b>	<b>982.9</b>	<b>2,235.7</b>	<b>2,760.5</b>

(1) Translated to U.S. dollars for convenience only at the rate of S/.2.808 = US\$1.00, the exchange rate reported on March 31, 2014 by the SBS. See “Exchange Rates.”

(2) Historical indebtedness as of March 31, 2014 totals S/.647.4 million (US\$230.6 million) and consists primarily of local financial leases and term loans as well as a loan from DB London. Our existing indebtedness is primarily secured by certain of our shopping malls and other assets. For further information, see note 14 of our unaudited interim consolidated financial statements. As adjusted indebtedness as of March 31, 2014 gives effect to the completion of the Tender Offer and Consent Solicitation. See “Summary—The Refinancing Transaction” and “Use of Proceeds.”

## SELECTED FINANCIAL INFORMATION

The following selected financial information should be read together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes elsewhere in this offering memorandum. The following selected financial information as of and for the years ended December 31, 2011, 2012, and 2013 has been derived from our consolidated financial statements and related notes elsewhere in this offering memorandum.

Statement of Income data:	For the three months ended			For the year ended December 31,			
	March 31,						
	2014	2014	2013	2013	2013	2012	2011
	(US\$ in millions) <sup>(1)</sup>	(\$/. in millions)		(US\$ in millions) <sup>(1)</sup>	(\$/. in millions)		
Rental income.....	14.7	41.4	29.4	46.0	129.1	97.3	76.9
Income from management services <sup>(2)</sup> ..	8.8	24.6	17.8	30.5	85.6	56.8	40.9
Cost related to income from management services <sup>(2)</sup> .....	(6.8)	(19.1)	(13.6)	(22.4)	(63.0)	(44.5)	(32.2)
<b>Net rental income</b> .....	<b>16.7</b>	<b>46.9</b>	<b>33.7</b>	<b>54.0</b>	<b>151.7</b>	<b>109.6</b>	<b>85.6</b>
Cost of rental income.....	(1.6)	(4.6)	(2.7)	(4.6)	(12.8)	(8.0)	(6.5)
<b>Gross profit</b> .....	<b>15.1</b>	<b>42.3</b>	<b>31.0</b>	<b>49.5</b>	<b>138.9</b>	<b>101.6</b>	<b>79.1</b>
Fair value adjustments to investment properties .....	1.5	4.2	1.1	15.1	42.4	78.0	61.0
Selling and administrative expenses ...	(2.3)	(6.6)	(5.8)	(9.3)	(26.2)	(18.1)	(20.1)
Other income (expenses) net.....	0.0	0.1	1.1	0.5	1.4	0.2	(2.0)
<b>Operating profit</b> .....	<b>14.3</b>	<b>40.0</b>	<b>27.3</b>	<b>55.7</b>	<b>156.5</b>	<b>161.6</b>	<b>118.1</b>
Financial expense, net.....	(5.6)	(15.6)	(11.4)	(18.0)	(50.6)	(50.5)	(26.3)
Exchange difference, net.....	(0.9)	(2.5)	(9.9)	(17.8)	(49.9)	32.8	3.9
<b>Profit before income tax</b> .....	<b>7.8</b>	<b>21.9</b>	<b>6.0</b>	<b>20.0</b>	<b>56.0</b>	<b>143.9</b>	<b>95.6</b>
Income tax <sup>(3)</sup> .....	(2.4)	(6.8)	(2.3)	(6.1)	(17.2)	(39.2)	(14.8)
<b>Net profit</b> .....	<b>5.4</b>	<b>15.1</b>	<b>3.7</b>	<b>13.8</b>	<b>38.8</b>	<b>104.7</b>	<b>80.9</b>

(1) Translated to U.S. dollars for convenience only at the rate of S/2.808 = US\$1.00, the exchange rate reported on March 31, 2014 by the SBS. See “Exchange Rates.”

(2) Includes operating costs for the maintenance and management of our shopping malls billed directly to tenants.

(3) The Issuer will pay income tax only upon the distribution of dividends from operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Statement of financial position data:	As of March 31,			As of December 31,		
	2014	2014	2013	2013	2013	2012
	(US\$ in millions) <sup>(1)(2)</sup>	(\$/. in millions) <sup>(1)</sup>		(US\$ in millions) <sup>(1)(2)</sup>	(\$/. in millions) <sup>(1)</sup>	
<b>Assets</b>						
Cash and cash equivalents .....	14.4	40.5	80.8	28.8	80.8	215.7
Investments at fair value through profit or loss.....	—	—	—	—	—	440.0
Accounts receivables <sup>(3)</sup> .....	37.7	105.9	100.3	35.7	100.3	108.5
Prepaid expenses.....	1.5	4.1	4.9	1.7	4.9	3.5
Recoverable taxes .....	12.7	35.7	27.5	9.8	27.5	17.3
<b>Total current assets</b> .....	<b>66.3</b>	<b>186.2</b>	<b>213.5</b>	<b>76.0</b>	<b>213.5</b>	<b>785.0</b>
Investment properties <sup>(4)</sup> .....	763.5	2,143.8	2,052.9	731.1	2,052.9	1,365.8
Recoverable taxes .....	36.2	101.6	101.7	36.2	101.7	37.4
Other non current assets <sup>(5)</sup> .....	5.5	15.5	13.1	4.6	13.1	6.5
<b>Total non current assets</b> .....	<b>805.2</b>	<b>2,261.0</b>	<b>2,167.6</b>	<b>771.9</b>	<b>2,167.6</b>	<b>1,409.6</b>
<b>Total assets</b> .....	<b>871.5</b>	<b>2,447.1</b>	<b>2,381.1</b>	<b>848.0</b>	<b>2,381.1</b>	<b>2,194.6</b>
<b>Liabilities</b>						
Accounts payables <sup>(6)</sup> .....	32.6	91.6	82.5	29.4	82.5	51.0

	As of March 31,			As of December 31,		
	2014	2014	2013	2013	2013	2012
	(US\$ in millions) <sup>(1)(2)</sup>	(S/. in millions) <sup>(1)</sup>		(US\$ in millions) <sup>(1)(2)</sup>	(S/. in millions) <sup>(1)</sup>	
Current portion of financial obligations .....	5.0	14.2	15.0	5.3	15.0	8.6
<b>Total current liabilities</b> .....	<b>37.7</b>	<b>105.7</b>	<b>97.5</b>	<b>34.7</b>	<b>97.5</b>	<b>59.5</b>
Financial obligations .....	225.5	633.3	608.9	216.8	608.9	682.6
Deferred income tax liabilities .....	32.7	91.8	85.3	30.4	85.3	70.6
Other liabilities .....	10.0	28.1	16.3	5.8	16.3	8.9
Total non current liabilities .....	<b>268.2</b>	<b>753.2</b>	<b>710.5</b>	<b>253.0</b>	<b>710.5</b>	<b>762.1</b>
<b>Total liabilities</b> .....	<b>305.9</b>	<b>858.9</b>	<b>808.0</b>	<b>287.7</b>	<b>808.0</b>	<b>821.6</b>
Capital stock .....	525.5	1,475.7	1,475.7	525.5	1,475.7	1,315.7
Retained earnings .....	38.4	107.9	92.9	33.1	92.9	54.6
Non-controlling interest .....	1.6	4.6	4.5	1.6	4.5	2.7
<b>Total equity</b> .....	<b>565.6</b>	<b>1,588.2</b>	<b>1,573.1</b>	<b>560.2</b>	<b>1,573.1</b>	<b>1,372.9</b>

(1) Except percentages.

(2) Translated to U.S. dollars for convenience only at the rate of S/.2.808 = US\$1.00, the exchange rate reported on March 31, 2014 by the SBS. See "Exchange Rates."

(3) Includes trade receivables, accounts receivables from related parties and other receivables, including tax receivables. See notes 6 and 7 to the consolidated financial statements and related notes elsewhere in this offering memorandum.

(4) Includes the impact of marking our investment property valuations to market.

(5) Includes facilities, furniture and equipment, deferred income tax and other assets.

(6) Includes trade payables, accounts payable to related parties and other liabilities.

In this offering memorandum, we present Adjusted EBITDA and Adjusted EBITDA margin, each of which are non-IFRS financial measures. A non-IFRS financial measure does not have a standardized meaning prescribed by IFRS. We define Adjusted EBITDA as operating profit, plus depreciation and amortization, adjusted for the impact of marking to market the valuations of our investment properties. We define Adjusted EBITDA margin as Adjusted EBITDA divided by gross profit. We present Adjusted EBITDA and Adjusted EBITDA margin because we believe they provide investors with supplemental measures of the financial performance of our operations that facilitate period-to-period comparisons on a consistent basis. Our management also uses Adjusted EBITDA and Adjusted EBITDA margin from time to time, among other measures, for internal planning and performance measurement purposes. Adjusted EBITDA and Adjusted EBITDA margin should not be construed as alternatives to net profit or operating profit, as indicators of operating performance or as alternatives to cash flow provided by operating activities (in each case, as determined in accordance with IFRS). Adjusted EBITDA and Adjusted EBITDA margin, as calculated by us, may not be comparable to similarly titled measures reported by other companies. The reconciliations of net profit and operating profit for the periods indicated below to Adjusted EBITDA is as follows:

	For the three months ended			For the year ended			
	March 31,			December 31,			
	2014	2014	2013	2013	2013	2012	2011
	(US\$ in millions) <sup>(1)(2)</sup>	(S/. in millions) <sup>(1)</sup>		(US\$ in millions) <sup>(1)(2)</sup>	(S/. in millions) <sup>(1)</sup>		
<b>Net profit</b> .....	<b>5.4</b>	<b>15.1</b>	<b>3.7</b>	<b>13.8</b>	<b>38.8</b>	<b>104.7</b>	<b>80.9</b>
Add back net financial expenses .....	(5.6)	(15.6)	(11.4)	(18.0)	(50.6)	(50.5)	(26.3)
Add back exchange difference, net .....	(0.9)	(2.5)	(9.9)	(17.8)	(49.9)	32.8	3.9
Add back income tax .....	(2.4)	(6.8)	(2.3)	(6.1)	(17.2)	(39.2)	(14.8)
<b>Operating profit</b> .....	<b>14.3</b>	<b>40.0</b>	<b>27.3</b>	<b>55.7</b>	<b>156.5</b>	<b>161.6</b>	<b>118.1</b>
Add back depreciation and amortization .....	(0.1)	(0.4)	(0.2)	(0.4)	(1.1)	(0.6)	(0.5)
Add back impact of marking our investment properties to market <sup>(3)</sup> .....	1.5	4.2	1.1	15.1	42.4	78.0	61.0
<b>Adjusted EBITDA</b> .....	<b>12.9</b>	<b>36.2</b>	<b>26.4</b>	<b>41.0</b>	<b>115.1</b>	<b>84.2</b>	<b>57.6</b>
<b>Adjusted EBITDA Margin</b> .....	<b>77.2%</b>	<b>77.2%</b>	<b>78.3%</b>	<b>75.9%</b>	<b>75.9%</b>	<b>76.9%</b>	<b>67.3%</b>

(1) Except percentages.

(2) Translated to U.S. dollars for convenience only at the rate of S/.2.808 = US\$1.00, the exchange rate reported on March 31, 2014 by the SBS. See "Exchange Rates."

(3) We mark to market the valuations of our investment properties quarterly. All of our owned shopping malls are investment properties. For additional information, see note 11(d) to the consolidated financial statements and related notes elsewhere in this offering memorandum.

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

### Overview

We are the largest company in the shopping mall sector in Peru. We are the largest owner, developer and operator of shopping malls based on both GLA and the number of shopping malls. Under our Real Plaza brand, we operate 16 shopping malls with 495,533 m<sup>2</sup> of GLA that we own or lease on a long-term basis and three additional shopping malls with 58,000 m<sup>2</sup> of GLA that are owned by related parties. Based on our internal estimates, our diversified portfolio of shopping malls attracts the highest amount of consumer foot traffic in Peru because of our unique combination of premier locations and highly recognized tenants' retail brands.

We strive to grow our business organically by taking advantage of shopping mall development opportunities we identify throughout Peru, expanding our reach across socioeconomic segments and geographic markets. Over the next few years we intend to expand four of our successful shopping malls onto adjacent land we already own, increasing our GLA at a relatively low cost and with low execution risk. We will also develop our next mall, Puruchuco, which will have over 100,000 m<sup>2</sup> of GLA, the majority of which is already leased. Our expertise in selecting, securing and developing these and other locations is a key growth driver of our business.

As of March 31, 2014, the total value of our investment properties was US\$763.5 million (S/.2,143.8 million) and our total assets were US\$871.5 million (S/.2,447.1 million). Of our 19 operated shopping malls, eight are located in Lima and the other 11 are in the provinces. Many of our shopping malls have strategic locations in the largest provinces in Peru, which has allowed them to attract and maintain an impressive tenant base and serve as shopping and entertainment hubs for local communities.

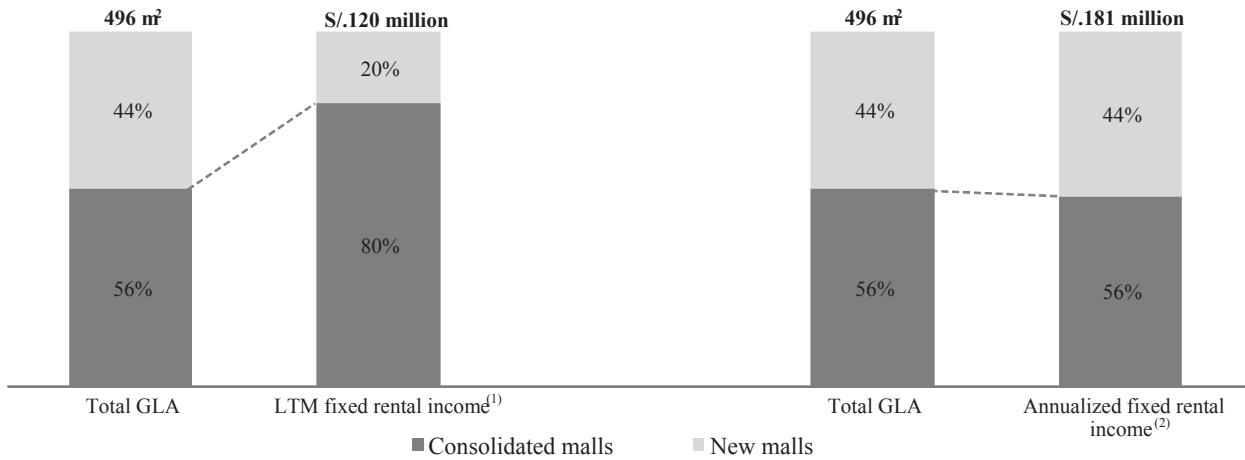
We acquired our first shopping mall, Primavera, in Lima in 2001 and have since increased our GLA over 56-fold to 553,534 m<sup>2</sup> as of May 31, 2014. Our parent company, InRetail Peru, successfully completed an initial public offering on the LSE in late 2012 and has since contributed US\$418 million in cash proceeds to our business that has been used to increase our GLA and number of shopping malls. With this capital contribution, during the last eighteen months, we have added 226,815 m<sup>2</sup> of GLA, an increase of 70%, both expanding one existing mall and developing five new malls, including Salaverry, our new flagship mall, which is 100% leased and has 71,936 m<sup>2</sup> of GLA. We believe we are in a very strong position to capitalize on our recent significant investments in GLA and Peru's consumption growth to secure highly predictable cash flows and increase our revenues and profitability.

We believe that our financial results as of March 31, 2014, particularly our revenues and net operating profit, do not yet reflect our significant recent investments in GLA. For example, the annualized fixed rental income for our signed lease contracts at Salaverry as of May 31, 2014 is S/.38 million, but Salaverry has not yet generated rental income as of March 31, 2014, as it was opened to the public in May 2014. Furthermore, fixed rental income as of March 31, 2014 generated by our five new malls, shopping malls that have been operating for less than eighteen months, represented 20% of our total fixed rental income. However, the GLA of our new malls represented 44% of our total GLA under operation as of March 31, 2014.

The chart below illustrates how our recent investments in our new malls will impact our financial measures.

### GLA and Fixed Rental income

Rental income in million S/. GLA in thousands as of May 31, 2014



(1) Fixed rental income from tenants as of the last twelve months ending March 31, 2014.

(2) Annualized fixed rental income is calculated by annualizing the fixed rental income from tenants for the three months ending March 31, 2014 based on existing signed contracts with tenants. Salaverry annualized fixed rental income reflects the next twelve months' fixed rental income from existing signed contracts with tenants as of March 31, 2014.

We believe that Peru offers attractive opportunities for significant growth based on its macroeconomic prospects, stable political environment, favorable demographic trends and emerging middle class, combined with a retail sector that is underpenetrated by modern formats. Peru has been Latin America's fastest growing country in terms of real GDP growth and is one of only six investment-grade countries in the world with average annual real GDP growth over 6.0% from 2007 to 2013, according to the IMF. During the same time period, the poverty level (measured as the number of people living below the poverty line as a percentage of total population) was reduced from 42.4% in 2007 to 23.9% according to the INEI, Peru's national institute of statistics and data. This implies that 19% of Peru's population, approximately 5.5 million people, have risen above the poverty level and are entering a middle class. As of 2013, 63.7% of Peru's population was younger than 35 years of age, according to INEI. We focus on meeting the growing needs of Peruvian consumers who, as they become wealthier and demand higher quality products and services, are shifting towards modern, formal retailers and away from the country's traditional retail sector.

Our ultimate parent company is Intercorp Peru, one of Peru's largest business groups, with activities spanning financial services, retail, education and real estate. In 2001, Intercorp Peru began investing in the Peruvian retail sector, attracted by its strong growth potential, increasing consumer purchasing power and an underpenetrated modern retail sector. We believe that being part of a locally owned and operated group offers us the significant advantages of an exclusive focus on Peru and a deep understanding of the country in general and its retail and real estate markets in particular.

### Trends and Factors Affecting Our Results of Operations

#### *Developments in the Peruvian Economy*

All of our operations are conducted in Peru. Accordingly, our results of operations and financial condition are dependent upon economic conditions and, in particular, consumer spending in Peru.

According to the IMF, Peruvian real GDP grew 5.0% and 6.3% in 2013 and 2012, among the highest growth rates in Latin America. The main drivers of Peru's recent economic performance have been strong domestic demand and private investment.

The table below sets forth additional details regarding Peru’s recent economic performance.

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Peruvian real GDP growth rate.....	5.8%	6.0%	6.5%
Private consumption (real growth) .....	5.4%	6.1%	6.0%
Reference interest rate .....	4.0%	4.25%	4.25%
Primary fiscal balance (% of GDP) .....	3.0%	3.4%	3.0%
CPI Index.....	2.8%	3.7%	3.4%

Sources: IMF.

In August 2011, S&P upgraded Peru’s credit rating from BBB- to BBB. In October 2011, Fitch upgraded Peru’s credit rating from BBB- to BBB. In August 2012, Moody’s upgraded Peru’s credit rating from Baa3 to Baa2, maintaining the positive outlook. Peru’s credit ratings are subject to periodic review and we cannot assure you that the current ratings will not be revised or lowered in the future.

The reduction in fiscal spending implemented during 2013 by the Peruvian government resulted in increased foreign reserves from US\$64.0 billion in December 2012 to US\$65.7 billion in December 2013, as reported by the IMF.

Future economic, social and political developments in Peru, over which we have no control, could have a material adverse effect on us. See “Risk Factors—Risks Relating to Peru.”

### ***Competition***

We operate in a competitive business environment. We face direct competition in terms of, among other things, land cost, location, lease rates, marketing and services provided to customers and tenants. We are the largest operator in the country in terms of GLA and number of shopping malls, close to twice the size of our two closest competitors, which gives us a strong position to compete with other players in the industry. For information on our competitive position, see “Industry.”

### ***Seasonality***

Historically, we have experienced distinct seasonal sales patterns at our shopping malls due to heightened consumer activity throughout the Mother’s Day (May), Father’s Day (June), Independence Day (July), Christmas and New Year holiday seasons (December). This is particularly relevant for the month of December, when retail sales tend to be the highest of the year. As such, our variable rent tends to be the highest in the fourth quarter of our fiscal year.

### ***New Openings and Expansions***

During 2013, we opened four shopping malls and expanded another one (increasing our GLA by 125,995 m<sup>2</sup>). During 2012, we opened one shopping mall and expanded six others (increasing our GLA by 58,628 m<sup>2</sup>). These openings were primarily funded by a combination of operating cash flow and additional indebtedness. Although we believe that new shopping malls have on average an 18-month lag period before fully contributing to our revenues, these openings and expansions have been the main drivers of our organic sales growth.

The table below shows various metrics related to the growth in our GLA from 2008 through May 2014.

### GLA evolution

	2008	2009	2010	2011	2012	2013	May 2014
Number of shopping malls owned or leased .....	4	6	9	11	12	15	16
GLA operated, owned or leased (in '000 of m <sup>2</sup> ).....	87.8	132.0	179.6	223.0	278.7	398.6	495.5
GLA additions (in '000 of m <sup>2</sup> ) .....	–	44.2	47.5	43.5	55.6	119.9	97.0
Number of shopping malls operated (owned or leased by related parties) .....	–	–	3	3	3	3	3
GLA operated (owned or leased by related parties) .....	–	–	50.5	50.5	53.5	59.6	58.0
GLA additions (in '000 of m <sup>2</sup> ) .....	–	–	50.5	–	3.0	6.1	(1.6)
Total # of Real Plaza shopping malls .....	4	6	12	14	15	18	19
Total Real Plaza GLA (in '000 of m <sup>2</sup> ) .....	87.8	132.0	230.1	273.5	332.1	458.1	553.5

### Lease Expirations

Our capacity to re-lease space when leases expire can impact our results of operations and is affected by economic conditions in Peru and the level of competition we face. We have low concentration of lease maturities. The leases that expire during 2014 represent approximately 2.2% of our total GLA and 8.2% of our fixed rental income. In addition, the majority of contracts expiring between 2014 and 2017 are with small tenants, which typically have shorter maturities and the highest lease rates. It is an integral part of our strategy to constantly seek to optimize our small tenant mix to differentiate the commercial offering of our malls and maximize our rental revenue. The table below illustrates our total lease expiration profile as of March 31, 2014:

### Renewal schedule of leases

As of March 31, 2014 <sup>(1)</sup>	2014	2015	2016	2017	2018	2019	2020	2021	2022-2044
Fixed rental income (\$/ in millions).....	11.8	14.2	17.2	10.0	14.9	5.1	4.6	2.0	65.2
As % of total fixed rental income.....	8.2%	9.8%	11.9%	6.9%	10.2%	3.5%	3.2%	1.4%	44.9%
GLA (in '000 m <sup>2</sup> ).....	8.5	12.0	19.8	14.7	22.7	6.9	18.3	5.8	285.2
As % of total GLA .....	2.2%	3.1%	5.0%	3.7%	5.8%	1.8%	4.7%	1.5%	72.4%
# of contracts expiring.....	261	264	202	106	94	44	14	18	87

(1) Metrics presented above do not include Salaverry as the mall opened in May 2014.

Non-anchor tenants usually operate smaller amounts of GLA but are an important contributor to our rental income. We tend to sign shorter term contracts with these types of tenants to maintain flexibility in our commercial offering and facilitate optimization of tenant mix in our malls. Our historical occupancy rates reflect the steady renewal of our leases with non-anchor tenants, reflecting how we successfully manage our tenant mix. The table below illustrates the historical evolution of our occupancy rates:

### Average occupancy rate

	2008	2009	2010	2011	2012	2013	March 2014
Average occupancy rate (%).....	84.7%	88.8%	89.9%	94.0%	92.3%	93.2%	93.3%

### Critical Accounting Policies

A summary of our critical accounting policies is below. For further information regarding our accounting policies used in the preparation and presentation of our consolidated financial statements, see note 3.2 to our audited annual financial statements elsewhere in this offering memorandum.

### ***Investment Properties***

Investment properties comprise completed properties and properties under construction or redevelopment held to earn rentals or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. Transaction costs include transfer taxes, professional fees for legal services and the initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property, if the recognition criteria are met.

Subsequent to initial recognition, investment properties are measured at fair value, which reflects the market conditions at the reporting date. Gains or losses arising from changes in the fair value of the investment properties are included in the consolidated statements of income for the period in which they arise. Fair values are evaluated periodically by our management, based on discounted cash flows over the benefits that are expected to be obtained from these investments. Fair values of investment properties under construction or investment properties held to operate in the future are assessed by a renowned independent external appraiser, through the application of a recognized valuation model.

Investment properties are derecognized either at the moment of their sale or when the investment property is permanently retired from active use, and it is not expected to recover any economic benefit from its sale. The difference between the amount received and the book amount of the assets is recognized in the consolidated statements of income in the period in which the asset was derecognized. Transfers to or from investment properties are performed only if there is a change in the asset's use.

In the case of a transfer from an investment property to a component of property, facilities, furniture and equipment, the attributed cost taken into account for its subsequent measurement is the fair value of the assets at the date of the change of use. If a component of facilities, furniture and equipment is transferred to an investment property, we recognize the asset up to the date of the change of use in accordance with the accounting policy established for the property, facilities, furniture and equipment.

Properties under construction are recorded at acquisition cost or construction cost. The initial cost comprises its purchase price, plus the directly related costs that include professional fees for legal services and any cost directly attributable to locate and put the asset in usable condition.

### ***Impairment of Non-Financial Assets***

We assess at each end of year, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, we estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's ("CGU") fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate any cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable value, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. In determining fair value less costs of disposal, recent market transactions are taken into account, if any. If no such transactions can be identified, an appropriate valuation model is used.

We base our impairment calculation, if needed, on detailed budgets and forecast calculations which are prepared separately for each of our cash generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated income statement in those expense categories consistent with the function of the impaired asset.



## *Taxes*

Under Peruvian law, our legal structure permits the deferral of all income taxes until dividends are distributed. As such, since we have not distributed dividends in the fiscal years ending 2013, 2012 and 2011, we register a provision for income tax in our income statement which is added-back in our cash flow statement.

The income tax of the subsidiaries is determined based on the non-consolidated financial statements of each subsidiary based on taxable income calculated for tax purposes.

*Current Income Tax* - Current income tax assets and liabilities for the current period are measured at the amounts expected to be recovered from or paid to the taxation authority. Tax rates and the tax laws used to compute said amounts are those officially approved.

Current income tax that is related to items directly recognized in the consolidated statement of changes in equity is also recognized in the consolidated statement of changes in equity and not in the consolidated income statement. Management periodically assesses the positions taken in the tax returns with regard to the situations in which the applicable tax legislation is subject to interpretation, and constitutes provisions when appropriate.

Equity trust funds are not considered as income tax taxpayers. The taxpayers in the securitization trusts may be either the originator, beneficiary, trustee, or a third party that is benefited by the results generated by the equity trust funds, with respect to the profits, income or capital revenue.

*Deferred Income Tax* - The deferred income tax is recognized by using the liability method on temporary differences at the reporting date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all the taxable temporary differences, except:

- When a deferred tax liability arises from the initial recognition of goodwill, or of an asset or a liability in a transaction that does not constitute a business combination and that, at the moment of the transaction, does not affect accounting non-taxable profit.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of their reversion can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forwards of unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable taxable profit will be available against which the deductible temporary differences and the carry forwards of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in consolidated equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

*Value added tax* - Revenues from ordinary activities, expenses and assets are recognized by excluding the value added tax, with the following exceptions:

- When the value added tax incurred in an asset acquisition or in the rendering of services is not recoverable with the tax authority, in which case said tax is recognized as part of the acquisition cost of the asset or as part of the expense, as applicable.
- the accounts receivable and accounts payable that are already expressed, including the amount of the value added tax.

The net amount of the value added tax that is expected to be recovered from, of that corresponds to be paid to, the tax authority is presented as a recoverable tax or an account payable in the statements of financial position, as applicable.

### ***Revenue Recognition***

Revenue is recognized to the extent that it is probable that the economic benefits will flow to us and the amount can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. We assess our revenue arrangements against specific criteria in order to determine whether we are acting as principal or agent. We have concluded that we are acting as a principal in all of our revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

*Rental income* - Rental income arising from operating leases, less our initial direct costs to enter the leases is accounted for on a straight-line basis over the term of the lease, except for the inflation adjustment and contingent rental income which is recognized when it arises.

*Key money* - Corresponds to advances from tenants when entering into lease agreements with us. These are recognized as income evenly over the lease term, even if the collections are not made on such a basis. The lease term is the non-cancellable period of the lease.

Amounts received from tenants to terminate leases or to compensate for wear and tear are recognized in the consolidated income statement when they arise.

*Service charges, management charges and other expenses recoverable from tenants* - Income arising from expenses recharged to tenants is recognized in the period in which the compensation becomes receivable. Service and management charges and other such receipts are included in net rental income gross of the related costs, as we believe that InRetail RE acts as principal in this respect.

*Income from negotiation of land and buildings* - Advisory services provided to our companies regarding the purchase of land for the construction of shopping malls.

*Income from advisory and project supervision services* - Services related to the review and supervision of the implementation of shopping malls and the development of department stores and supermarkets.

Other income is recognized as it is realized and accrued, and is recorded in the periods to which it is related.

### ***Recognition of Costs and Expenses***

Service cost is recognized in a simultaneous manner to the recognition of the income from the corresponding service provided.

Rentals paid in advance for landlord leases are recognized in our results according to an accrual basis, in the “Real estate services cost” caption, from the conclusion of the works of the shopping mall project to a term that ranges between 300 and 360 months.

Lease expenses for use rights and landlord leases are recognized as they accrue, and are recorded in the periods to which they are related.

Loan costs are accounted for financial expenses in the period in which they are incurred.

Loan costs include interests and other costs that we incur in relation to the subscription of the respective loan agreements.

Other operating costs and expenses are recognized when accrued, regardless of the moment they are paid, and are recorded in the periods to which they are related.

### ***Fair Value Measurement***

We measure our investment properties at fair value at each date of the consolidated statements of financial position. Also, the fair value of financial instruments measured at amortized cost is disclosed in note 27 to our audited annual consolidated financial statements.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the date of measurement. The fair value measurement is based on the presumption that the transaction to sell the asset or to transfer the liability takes place on either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or most advantageous market must be accessible for us.

The fair value of an asset or liability is measured by using the assumptions that the market participants would use to value the asset or liability, assuming that the market participants operate in their best economic interest.

The fair value measurement of non-financial assets takes into account the ability of a participant on the market to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

We use valuation techniques that are appropriate for the circumstances and of which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs significant to the fair value measurement as a whole.

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to fair value measurement is unobservable.

For assets and liabilities that are recognized at fair value in the consolidated financial statements on a recurrent basis, we determine whether transferences have been made between the different levels of hierarchy through the review of the categorization at the end of every reported period.

Our management determines the policies and procedures for the measurement of recurrent and non-recurrent fair values. To the date of each report, management assesses the movements in the values of assets and liabilities that must be valued according to our accounting policies.

For purposes of disclosing fair value, we have determined the types of assets and liabilities based on their nature, characteristics and risks, as well as the fair value hierarchy level as explained above.

## **Results of Operations**

### ***General***

The following is a brief description of certain line items of our consolidated financial statements.

*Rental Income.* Rental income is split in four categories: (i) fixed rent, which consists of fixed monthly payments from our tenants based on their lease terms; (ii) variable rent, which is driven by total monthly sales from our tenants; (iii) key money, which is generated from the advances of fixed rental income we receive when a new contract is signed and (iv) income from the rent of promotional rental space in our shopping malls.

*Income from Management Services.* Income from management services is mainly composed of (i) common expenses corresponding to income we receive from our tenants for services related to maintenance, safety, administration and the supervision of our shopping malls; (ii) income we receive from the reimbursement of water and electricity expenses from our tenants; (iii) income from the reimbursement of expenses related to our shopping malls' promotion and advertisement activities, which we receive from our tenants and (iv) income we receive from project management services.

*Costs Related to Income from Management Services.* Costs related to income from management services includes operating costs associated with the management of our shopping malls and common expenses we incur for our tenants. These operating costs are mainly composed of: (i) electricity and water; (ii) advertising and marketing; (iii) safety services; (iv) maintenance and administration of parking lots and (v) our own personnel expenses incurred when providing management, administration, supervision and commercial advisory services to our different tenants.

*Cost of Rental Income.* Cost of rental income is composed of direct costs related to our mall operations, split into three categories: (i) property tax and duties, including property tax payable to districts and municipalities, as well as other municipal levies; (ii) landlord leases, which correspond to lease payments of land where our leased shopping malls operate and (iii) property insurance costs.

*Selling and Administrative Expenses.* Selling and administrative expenses include personnel expenses, professional fees, depreciation and amortization, among others.

*Fair Value Adjustment to Investment Properties.* These are recorded as a result of marking our investment properties to market value. See note 11(d) of our consolidated financial statements for further detail.

*Financial Income.* Our financial income primarily consists of interest earned on cash held by our subsidiaries.

*Financial Expenses.* Our financial expenses primarily consist of interest payments related to financing activities as well as other associated financial costs.

*Exchange Difference, Net.* Our exchange difference, net, consists of foreign exchange gains or loss on our assets and liabilities denominated in currencies other than nuevos soles.

## Income Statement

### *Three Months ended March 31, 2014 Compared to the Three Months ended March 31, 2013*

The following table sets forth the principal components of net profit for the three months ended March 31, 2014 and the three months ended March 31, 2013:

	For the three months ended March 31,			% Variation
	2014 (S/. in millions)	2013 (S/. in millions)	Variation (S/. in millions)	
Rental income.....	41.4	29.4	12.0	41.0%
Fixed rental income.....	35.9	24.4	11.5	47.1%
Variable rental income.....	3.5	3.5	-	(0.6)%
Key money.....	0.8	0.5	0.3	55.4%
Rent of space for publicity.....	1.2	0.9	0.3	30.3%
Income from management services.....	24.6	17.8	6.8	38.0%
Cost related to income from management services.....	(19.1)	(13.6)	(5.5)	40.9%
<b>Net Rental Income</b> .....	<b>46.9</b>	<b>33.7</b>	<b>13.3</b>	<b>39.5%</b>
Cost of rental income.....	(4.6)	(2.7)	(1.9)	70.7%
<b>Gross Profit</b> .....	<b>42.3</b>	<b>31.0</b>	<b>11.4</b>	<b>36.8%</b>
Fair value adjustment to investment properties.....	4.2	1.1	3.0	268.8%
Selling and administrative expenses.....	(6.6)	(5.8)	(0.8)	12.9%
Other income (expenses), net.....	0.1	1.1	(1.0)	(93.6)%
<b>Operating Profit</b> .....	<b>40.0</b>	<b>27.3</b>	<b>12.7</b>	<b>46.4%</b>
Financial expenses, net.....	(15.6)	(11.4)	(4.1)	(36.2)%
Exchange difference, net.....	(2.5)	(9.9)	7.4	(74.8)%
<b>Profit before Income Tax</b> .....	<b>21.9</b>	<b>6.0</b>	<b>16.0</b>	<b>266.9%</b>
Income tax.....	(6.8)	(2.3)	(4.5)	193.0%
<b>Net Profit</b> .....	<b>15.1</b>	<b>3.7</b>	<b>11.5</b>	<b>314.0%</b>

### *Overview*

Net profit for the three months ended March 31, 2014 increased 314.0% when compared to the same period in 2013, primarily due to (i) an increase in operating profit of S/.12.7 million, (ii) a decrease in financial income of S/.4.3 million and (iii) a lower loss in exchange difference of S/.7.4 million.

### *Rental Income*

Rental income increased S/.12.0 million, or 41.0%, from S/.29.4 million for the three months ended March 31, 2013 to S/.41.4 million for the same period in 2014. This growth is mainly explained by (i) the opening of three new shopping malls, Piura in April 2013, Cajamarca and Cusco in December 2013, with an additional 118,685 m<sup>2</sup> of GLA, (ii) the expansion of one shopping mall (Chiclayo) in December 2013 with an additional 7,743 m<sup>2</sup> of GLA, and (iii) an increase in rental income of 2.4% in comparable shopping malls in terms of GLA.

### *Income from Management Services*

Income from management services increased S/.6.8 million, or 38.0%, from S/.17.8 million for the three months ended March 31, 2013 to S/.24.6 million for the same period in 2014. This growth was a direct result of additional GLA we have developed and began operating, which generates increases in common expenses and electricity and water expenses.

### *Cost Related to Income from Managements Services*

Cost related to income from management services increased S/.5.5 million, or 40.9%, from S/.13.6 million for the three months ended March 31, 2013 to S/.19.1 million for the same period in 2014. Cost related to income from management services as a percentage of income from management services increased from 76.4 % to 77.5% for the three months ended March 31, 2014 compared to the same period in 2013. This increase was primarily due to pre-operating costs related to our Salaverry shopping mall of S/.0.4 million.

### *Net Rental Income*

We use net rental income as a metric to estimate our income excluding expenses associated with the management of our shopping malls such as common expenses which are billed to our tenants. Our net rental income increased from S/.33.7 million to S/.46.9 million for the three months ended March 31, 2014 when compared to the same period in 2013, mainly as a result of an increase in rental income by S/.12.0 million, or 41.0%, and an increase in income from management services by S/.6.8 million, or 38.0%, partially offset by an increase in the costs related to management services by S/.5.5 million, or 40.9%.

### *Cost of Rental Income*

Cost of rental income increased S/.1.9 million, or 70.7%, from S/.2.7 million for the three months ended March 31, 2013 to S/.4.6 million for the same period in 2014. Cost of rental income as a percentage of net rental income increased from 8.0% to 9.8% for the three months ended March 31, 2014 compared to the same period in 2013. This increase was primarily due to an increase in tax rates and duties charged by municipalities of S/.1.1 million.

### *Gross Profit*

Our gross profit increased from S/.31.0 million to S/.42.3 million for the three months ended March 31, 2014 when compared to the same period in 2013, as a result of the contribution of our newer malls, particularly Cusco, Piura, Huánuco and Cajamarca.

The table below shows our gross profit by shopping mall:

	<b>For the three months ended March 31,</b>			
	<b>2014</b>	<b>2013</b>	<b>Variation</b>	<b>% Variation</b>
	<b>(S/. in millions)</b>	<b>(S/. in millions)</b>	<b>(S/. in millions)</b>	
Chiclayo .....	5.7	4.4	1.3	29.8%
Primavera .....	4.9	5.0	(0.1)	(2.4%)
Cusco .....	4.3	-	4.3	N/A
Piura .....	4.1	1.2	2.8	233.5%
Huancayo.....	3.8	3.5	0.3	7.7%
Huánuco .....	3.2	0.8	2.4	300.3%
Trujillo .....	3.1	2.9	0.2	5.5%
Arequipa .....	3.0	2.6	0.4	15.5%
Juliaca.....	2.7	2.4	0.3	10.9%
Santa Clara .....	2.2	1.9	0.3	13.0%
Pro .....	2.1	2.0	0.1	3.7%
Cajamarca .....	1.3	-	1.3	N/A
Guardia Civil .....	1.0	1.2	(0.2)	(16.0%)
Union .....	0.5	0.5	0.0	2.5%
Nuevo Chimbote.....	0.2	0.6	(0.4)	(68.9%)
Salaverry.....	(0.4)	-	(0.4)	N/A
Other .....	0.7	1.8	(1.2)	(63.5%)
<b>Total .....</b>	<b>42.3</b>	<b>31.0</b>	<b>11.4</b>	<b>36.8%</b>

### *Fair Value Adjustment to Investment Properties*

Under IFRS, we elect to mark our investment properties to fair market value on a quarterly basis. Fair value adjustments to investment properties for the three months ended March 31, 2014 were S/4.2 million. This gain is mainly explained by the increased valuation of Salaverry pursuant to the discounted cash flow method because the commencement of its operations was imminent and more than 90% of the GLA was leased as of March 31, 2014.

### *Selling and Administrative Expenses*

The following table sets forth the principal components of selling and administrative expenses for the three months ended March 31, 2014 and the three months ended March 31, 2013:

	<b>For the three months ended March 31,</b>			
	<b>2014</b>	<b>2013</b>	<b>Variation</b>	<b>% Variation</b>
	<b>(S/. in millions)</b>	<b>(S/. in millions)</b>	<b>(S/. in millions)</b>	
<b>Selling and Administrative Expenses</b>				
Personnel expenses .....	(4.3)	(3.5)	(0.7)	21.1%
Professional fees .....	(0.5)	(0.5)	0.0	(0.4)%
Depreciation and amortization.....	(0.4)	(0.2)	(0.2)	119.7%
Others .....	(1.4)	(1.6)	0.2	(13.3)%
<b>Total Expenses .....</b>	<b>(6.6)</b>	<b>(5.8)</b>	<b>(0.8)</b>	<b>13.8%</b>

Selling and administrative expenses increased S/0.8 million, or 13.8%, from S/5.8 million for the three months ended March 31, 2013 to S/6.6 million for the same period in 2014. This variation is mainly explained by an increase in headcount of the corporate marketing and operation teams as a result of our increase in number of shopping malls operated.

### *Other Income (expenses), Net*

Other income, net decreased S/1.0 million, or 93.6%, from S/1.1 million for the three months ended March 31, 2013 to S/0.1 million for the same period in 2014. This decrease is mainly explained by our execution of a letter of guarantee of S/1.5 million for a third-party contractor to perform contracted work for our Huánuco shopping mall in March 2013.

### *Adjusted EBITDA*

Adjusted EBITDA for the three months ended March 31, 2014 increased by 37.1% compared to the same period in 2013, mainly as a result of increased revenues from our new shopping malls.

### *Adjusted EBITDA Margin*

We calculate our Adjusted EBITDA margin as Adjusted EBITDA as a percentage of net rental income. We use this metric to measure the operational profitability of our business. Adjusted EBITDA margin for the three months ended March 31, 2014 was 77.2%, compared to 78.3% for the same period in 2013. The deterioration of this margin was mainly due to (i) an increase of cost of rental income as a percentage of net rental income from 8.0% to 9.8% mainly due to an increase in taxes charged by municipalities and (ii) our execution of a letter of guarantee of S/1.5 million received for a third-party contractor to perform contracted work for our Huánuco shopping mall in March 2013.

### *Financial Income*

Financial income decreased S/4.3 million, or 80.1%, because we had a lower cash balance during the first quarter of 2014 compared to the same period in 2013, as a result of our investment plan.

### *Financial Expenses*

Financial expenses decreased S/.0.1 million, or 0.9%, from S/.16.8 million for the three months ended March 31, 2013 to S/.16.7 million for the same period in 2014. This variation is mainly due to a financial instrument loss of S/.1.5 million due to our sale of Interproperties Notes.

### *Exchange Difference, Net*

We are exposed to the effects of fluctuations in the exchange rate due to foreign currency holdings and indebtedness.

The exchange difference loss for the three months ended March 31, 2013 was S/.9.9 million, explained by an increase in the average exchange rate from S/.2.550 soles per US\$1.00 as of December 31, 2012 to S/.2.795 soles per US\$1.00 as of March 31, 2013.

The exchange difference loss for the three months ended March 31, 2014 was S/.2.5 million, explained by an increase in the average exchange rate from S/.2.795 soles per US\$1.00 as of December 31, 2013 to S/.2.809 soles per US\$1.00 as of March 31, 2014.

### *Income Tax*

We estimate income tax based on our profit from revenues and capital gains from realized gains or losses in the values of our investment properties. Income tax increased S/.4.5 million, or 193.0%, for the three months ended March 31, 2014 compared to the same period in 2013, primarily as a result of an increase in income due to the opening of our shopping malls in Cusco, Cajamarca and Piura and the expansion of our shopping mall in Chiclayo.

Income tax as a percentage of profit before income tax decreased from 39.0% in the three months ended March 31, 2013 to 31.1% in the three months ended March 31, 2014.

We accrue income tax but do not pay cash income taxes unless and until we distribute income from a Peruvian trust to outside Peru.



*Year ended December 31, 2013 Compared to the Year ended December 31, 2012*

The following table sets forth the principal components of net profit for the years ended December 31, 2013 and 2012:

	<b>For the year ended December 31,</b>			
	<b>2013</b>	<b>2012</b>	<b>Variation</b>	<b>% Variation</b>
	<b>(S/. in millions)</b>	<b>(S/. in millions)</b>	<b>(S/. in millions)</b>	
Rental Income.....	129.1	97.3	31.8	32.6%
Fixed rental income .....	108.2	80.0	28.3	35.3%
Variable rental income.....	16.8	14.3	2.5	17.0%
Key money.....	2.3	1.6	0.7	43.6%
Rent of space for publicity.....	1.8	1.4	0.4	26.9%
Income from management services.....	85.6	56.8	28.8	50.7%
Cost related to income from management services .....	(63.0)	(44.5)	(18.5)	41.7%
<b>Net Rental Income .....</b>	<b>151.7</b>	<b>109.6</b>	<b>42.1</b>	<b>38.3%</b>
Cost of rental income.....	(12.8)	(8.0)	(4.8)	59.7%
<b>Gross Profit .....</b>	<b>138.9</b>	<b>101.6</b>	<b>37.3</b>	<b>36.6%</b>
Fair value adjustment to investment properties.....	42.4	78.0	(35.6)	(45.5)%
Selling and administrative expenses .....	(26.2)	(18.1)	(8.1)	44.6%
Other income (expenses), net .....	1.4	0.2	1.2	603.6%
<b>Operating Profit.....</b>	<b>156.5</b>	<b>161.6</b>	<b>(5.2)</b>	<b>(3.2)%</b>
Financial expenses, net .....	50.6	50.5	0.0	0.0%
Exchange difference, net .....	(49.9)	32.8	(82.7)	(252.3)%
<b>Profit before Income Tax .....</b>	<b>56.0</b>	<b>143.9</b>	<b>(87.9)</b>	<b>(61.1)%</b>
Income tax .....	(17.2)	(39.2)	21.9	(56.0)%
<b>Net Profit .....</b>	<b>38.8</b>	<b>104.7</b>	<b>(65.9)</b>	<b>(63.0)%</b>

*Overview*

Net profit for the year ended December 31, 2013 decreased 63.0% when compared to 2012, primarily due to (i) the appreciation of the Peruvian nuevo sol during 2013 that was reflected in a loss in exchange difference of S/.49.9 million compared to a gain of S/.32.8 million in 2012 and (ii) a decrease of 3.2% in operating profit for the year ended December 31, 2013 compared to 2012, mainly due to a lower gain in fair value adjustments to investment properties recorded in 2013.

*Rental Income*

Rental income increased S/.31.8 million, or 32.6%, from S/.97.3 million for the year ended December 31, 2012 to S/.129.1 million for 2013. This growth is mainly explained by (i) the opening of two new shopping malls (Huánuco and Piura) in December 2012 and April 2013, respectively, with 73,945 m<sup>2</sup> of GLA, (ii) the expansion of six shopping malls (Chiclayo, Juliaca, Trujillo, Huancayo, Santa Clara and Pro) during 2012 and 2013 with an additional 52,895 m<sup>2</sup> of GLA and (iii) an increase in rental income of comparable shopping malls in terms of GLA of 7.9%.

*Income from Management Services*

Income from management services increased S/.28.8 million, or 50.7%, from S/.56.8 million for the year ended December 31, 2012 to S/.85.6 million for 2013. This growth is mainly explained by (i) additional GLA we developed and (ii) the increase in income resulting from project management services during 2013.

### *Cost Related to Income from Management Services*

Cost related to income from management services increased S/.18.5 million, or 41.7%, from S/.44.5 million for the year ended December 31, 2012 to S/.63.0 million for 2013. Cost related to income from management services as a percentage of income from management services decreased from 78.3% to 73.6% for the year ended December 31, 2013 compared to the same period in 2012. This decrease in such percentage was primarily due to operating efficiencies in utilities.

### *Net Rental Income*

Our net rental income increased from S/.109.6 million to S/.151.7 million for the year ended December 31, 2013 when compared to the same period in 2012, mainly as a result of an increase in rental income by S/.31.8 million or 32.6%.

### *Cost of Rental Income*

Cost of rental income increased S/.4.8 million, or 59.7%, from S/.8.0 million for the year ended December 31, 2012 to S/.12.8 million for 2013. Cost of rental income as a percentage of net rental income increased from 7.3% to 8.4%. This increase was primarily due to an increase in taxes and duties charged by municipalities of S/.2.3 million.

### *Gross Profit*

Our gross profit increased from S/.101.6 million to S/.138.9 million for the year ended December 31, 2013 when compared to the same period in 2012, mainly as a result of the opening of the Piura and Huánuco shopping malls and the expansion of Juliaca shopping mall in late 2012 and early 2013, respectively.

The table below shows our gross profit by shopping mall:

	<b>For the year ended December 31,</b>			
	<b>2013</b>	<b>2012</b>	<b>Variation</b>	<b>% Variation</b>
	<b>(S/. in millions)</b>	<b>(S/. in millions)</b>	<b>(S/. in millions)</b>	
Primavera.....	21.9	18.6	3.3	17.9%
Chiclayo.....	18.6	16.6	2.0	12.0%
Huancayo.....	14.4	12.3	2.1	17.5%
Trujillo.....	12.0	10.7	1.3	12.4%
Arequipa.....	11.3	10.2	1.1	10.6%
Piura.....	11.2	0.5	10.7	2,279.3%
Juliaca.....	11.2	6.7	4.5	66.8%
Santa Clara.....	8.8	7.4	1.4	19.3%
Pro.....	8.7	7.0	1.7	24.4%
Huánuco.....	6.2	0.1	6.1	7,716.7%
Guardia Civil.....	3.7	3.1	0.6	19.2%
Unión.....	2.1	2.7	(0.6)	(20.9)%
Nuevo Chimbote.....	0.9	0.8	0.2	25.5%
Cusco.....	0.8	-	0.8	(2,118.0)%
Cajamarca.....	0.2	-	0.2	(1,617.5)%
Salaverry.....	(0.2)	(0.1)	-	25.7%
Other.....	<b>7.0</b>	<b>5.3</b>	<b>1.8</b>	<b>33.2%</b>
<b>Total.....</b>	<b>138.9</b>	<b>101.6</b>	<b>37.2</b>	<b>36.6%</b>

### *Fair Value Adjustment to Investment Properties*

Under IFRS, we elect to mark our investment properties to fair market value quarterly. Fair value adjustments to investment properties as of December 31, 2013 were S/.42.4 million, a decrease of 45.5%, compared to S/.78.0 million in 2012. This positive fair value adjustment in 2013 is mainly explained by the valuation of Salaverry that registered a gain of S/.70.3 million as a result of changing the valuation method from cost to discounted cash flow as the opening of the shopping mall was imminent and more than 90% of the GLA was leased.

### *Selling and Administrative Expenses*

The following table sets forth the principal components of selling and administrative expenses for the years ended December 31, 2013 and 2012:

	<b>For the year Ended December 31,</b>			
	<b>2013</b>	<b>2012</b>	<b>Variation</b>	<b>% Variation</b>
	<b>(S/. in millions)</b>	<b>(S/. in millions)</b>	<b>(S/. in millions)</b>	
<b>Selling and Administrative Expenses</b>				
Personnel expenses .....	(16.1)	(11.0)	(5.1)	46.2%
Professional fees .....	(1.7)	(1.0)	(0.7)	71.4%
Depreciation and amortization.....	(1.1)	(0.6)	(0.4)	69.1%
Others .....	(7.3)	(5.5)	(1.8)	33.7%
<b>Total Expenses .....</b>	<b>(26.2)</b>	<b>(18.1)</b>	<b>(8.1)</b>	<b>44.6%</b>

Selling and administrative expenses grew S/.8.1 million, or 44.6%, from S/.18.1 million for the year ended December 31, 2012 to S/.26.2 million for 2013. This variation is mainly due to (i) personnel expenses which grew S/.5.1 million, or 46.2%, as a result of the creation of new areas such as publicity and store planning and the growth of other areas such as sales and marketing, (ii) marketing expenses that grew S/.0.5 million, or 131.9%, related to the opening of the Huánuco and Piura shopping malls and (iii) security services expenses that grew S/.0.5 million, or 86.0%, as a result of additional landbank acquired during 2012 and 2013.

### *Other Income (expenses), Net*

Other income (expenses), net increased S/.1.2 million, or 603.6%, from S/.0.2 million for the year ended December 31, 2012 to S/.1.4 million for 2013. This increase is mainly explained by the execution of a letter of guarantee received by a third party contractor for the Huánuco shopping mall in March, 2013 in an amount of S/.1.5 million.

### *Adjusted EBITDA*

Adjusted EBITDA increased by 36.7% for the year ended December 31, 2013 compared to 2012, mainly as a result of our higher revenues due to the opening of two new shopping malls (Piura and Huánuco) and the expansion of six shopping malls (Chiclayo, Juliaca, Trujillo, Huancayo, Santa Clara and Pro).

### *Adjusted EBITDA Margin*

We calculate our Adjusted EBITDA margin as Adjusted EBITDA as a percentage of net rental income. Adjusted EBITDA margin for the year ended December 31, 2013 was 75.9%, relatively flat compared to the 76.9% for 2012.

### *Financial Income*

Financial income increased S/.0.3 million, or 1.9%, as a result of higher interest rates on deposits due to our larger cash surplus in 2013 as compared to 2012.

### *Financial Expenses*

Financial expenses increased S/.0.3 million, or 0.4%, from S/.63.8 million for 2012 to S/.64.1 million for 2013. This variation is mainly explained by an increase of S/.2.4 million as a result of additional debt for the expansion of our Chiclayo shopping mall, partially offset by (i) a decrease of S/.0.9 million as a result of the prepayment of a corporate bond issued through a private placement in 2012 and (ii) a decrease of S/.1.2 million as a result of the prepayment of a loan with an affiliated company at the end of 2012.

### *Exchange Difference, Net*

We are exposed to the effects of fluctuations in the exchange rate due to foreign currency holdings and indebtedness.

The exchange difference gain for the year ended December 31, 2012 was S/.32.8 million, explained by a decrease in the average exchange rate from S/.2.696 soles per US\$1.00 as of December 31, 2011 to S/.2.550 soles per US\$1.00 as of December 31, 2012.

The exchange difference loss for the year ended December 31, 2013 was S/.49.9 million, explained by an increase in the average exchange rate from S/.2.550 soles per US\$1.00 as of December 31, 2012 to S/.2.795 soles per US\$1.00 as of December 31, 2013.

### *Income Tax*

We estimate income tax based on our profit from leasing revenues and capital gains tax from realized gains or losses in the values of our investment properties. Income tax decreased S/.21.9 million, or 56.0%, from S/.39.2 million for 2012 to S/.17.2 million for 2013, mainly due to a decrease in realized gains in the values of our investment properties.

Income tax as a percentage of profit before income tax increased from 27.2% in the year ended December 31, 2012 to 30.7% in the year ended December 31, 2013.

We accrue income tax but do not pay cash income taxes unless and until we distribute income from a Peruvian trust to outside Peru.

*Year ended December 31, 2012 Compared to the Year ended December 31, 2011*

The following table sets forth the principal components of net profit for the years ended December 31, 2012 and 2011:

	For the year ended December 31,			% Variation
	2012	2011	Variation	
	(S/. in millions)	(S/. in millions)	(S/. in millions)	
Rental Income .....	97.3	76.9	20.4	26.6%
Fixed rental income .....	80.0	65.6	14.4	22.0%
Variable rental income.....	14.3	9.9	4.4	44.4%
Key money.....	1.6	1.1	0.5	42.7%
Rent of space for publicity.....	1.4	0.3	1.2	389.8%
Income from management services.....	56.8	40.9	15.9	38.8%
Cost related to income from management services.....	(44.5)	(32.2)	(12.3)	38.2%
<b>Net Rental Income</b> .....	<b>109.6</b>	<b>85.6</b>	<b>24.0</b>	<b>28.0%</b>
Cost of rental income.....	(8.0)	(6.5)	(1.5)	23.8%
<b>Gross Profit</b> .....	<b>101.6</b>	<b>79.1</b>	<b>22.6</b>	<b>28.5%</b>
Fair value adjustment to investment properties .....	78.0	61.0	17.0	27.9%
Selling and administrative expenses .....	(18.1)	(20.1)	1.9	(9.7)%
Other income (expenses), net .....	0.2	(2.0)	2.2	(109.8)%
<b>Operating Profit</b> .....	<b>161.6</b>	<b>118.1</b>	<b>43.7</b>	<b>37.0%</b>
Financial expenses, net .....	(50.5)	(26.3)	(24.2)	(92.1)%
Exchange difference, net .....	32.8	3.9	28.8	730.2%
<b>Profit before Income Tax</b> .....	<b>143.9</b>	<b>95.6</b>	<b>48.2</b>	<b>50.4%</b>
Income tax .....	(39.2)	(14.8)	(24.4)	165.2%
<b>Net Profit</b> .....	<b>104.7</b>	<b>80.9</b>	<b>23.8</b>	<b>29.5%</b>

*Overview*

Net profit for the year ended December 31, 2012 increased 29.5% when compared to 2011, primarily due to (i) an increase of 37.0% in operating profit for the year ended December 31, 2012 compared to 2011 and (ii) the depreciation of the Peruvian nuevo sol during 2012 that was reflected in a higher gain in exchange difference of S/.28.8 million, partially offset by an increase in financial expenses of S/.36.7 million.

*Rental Income*

Rental income increased S/.20.4 million, or 26.6%, from S/.76.9 million for the year ended December 31, 2011 to S/.97.3 million for 2012. This increase is mainly explained by (i) the opening of the Guardia Civil shopping mall in 2011 with 14,756 m<sup>2</sup> of GLA, (ii) the remodeling and expansion of the Primavera shopping mall that started operations in May 2011 with an additional 11,948 m<sup>2</sup> of GLA, (iii) the expansion of six shopping malls (Santa Clara, Pro, Chiclayo, Juliaca, Trujillo and Huancayo) with an additional 44,921 m<sup>2</sup> of GLA and (iv) an increase in rental income of 2.9% in comparable shopping malls in terms of GLA.

*Income from Management Services*

Income from management services increased S/.15.9 million, or 38.8%, from S/.40.9 million for the year ended December 31, 2011 as compared to S/.56.8 million for 2012. This increase is mainly explained by (i) additional GLA we developed and (ii) the increase in income from project management services during 2012.

### *Cost Related to Income from Management Services*

Cost related to income from management services increased S/.12.3 million, or 38.2%, from S/.32.2 million for the year ended December 31, 2011 to S/.44.5 million for 2012, primarily as a result of (i) additional GLA we developed and (ii) the increase in income from project management services during 2012. Cost related to income from management services as a percentage of income from management services decreased from 78.7% to 78.3% for the year ended December 31, 2012 compared to 2011.

### *Net Rental Income*

Our net rental income increased from S/.85.6 million to S/.109.6 million for the year ended December 31, 2012 when compared to 2011, mainly as a result of an increase in rental income by S/.20.4 million or 26.6%.

### *Cost of Rental Income*

Cost of rental income increased S/.1.5 million, or 23.8%, from S/.6.5 million for the year ended December 31, 2011 to S/.8.0 million for 2012. Cost of rental income as a percentage of net rental income decreased from 7.6% to 7.3%. This decrease was primarily due to 2011 one-time expenses related to additional municipality taxes of Huancayo shopping mall for the year 2010.

### *Gross Profit*

Our gross profit increased from S/.79.1 million to S/.101.6 million for the year ended December 31, 2012 when compared to 2011, as a result of the mall expansions and openings in late 2011 and during 2012.

The table below shows our gross profit by shopping mall:

	<b>For the year ended December 31,</b>			
	<b>2012</b>	<b>2011</b>	<b>Variation</b>	<b>% Variation</b>
	<b>(S/. in millions)</b>	<b>(S/. in millions)</b>	<b>(S/. in millions)</b>	
Primavera .....	18.6	11.7	6.9	58.5%
Chiclayo .....	16.6	17.6	(1.0)	(5.6%)
Huancayo .....	12.3	10.7	1.6	14.7%
Trujillo .....	10.7	9.2	1.5	16.0%
Arequipa .....	10.2	8.9	1.3	15.1%
Santa Clara .....	7.4	3.0	4.4	144.5%
Pro .....	7.0	3.8	3.2	86.0%
Juliaca .....	6.7	3.0	3.7	119.8%
Guardia Civil .....	3.1	1.2	1.9	162.6%
Unión .....	2.7	3.0	(0.3)	(10.8%)
Nuevo Chimbote .....	0.8	0.3	0.5	217.0%
Huánuco .....	0.1	—	0.1	—
Salaverry .....	(0.1)	—	(0.1)	—
Other .....	5.7	6.6	(0.9)	(13.9%)
<b>Total .....</b>	<b>101.6</b>	<b>79.1</b>	<b>22.6</b>	<b>28.5%</b>

### *Fair Value Adjustment to Investment Properties*

Under IFRS, we elect to mark our investment properties to fair market value quarterly. Fair value adjustments to investment properties as of December 31, 2012 were S/.78.0 million, an increase of 27.9% compared to S/.61.0 million in 2011. This gain is mainly explained by (i) the valuation of our Huánuco shopping mall that registered a gain of S/.17.5 million as a result of changing the valuation method from cost to discounted cash flow because of its opening in December 2012, (ii) the valuation of the Trujillo shopping mall expansion that registered a gain of S/.11.2 million as a result of changing the valuation method from cost to discounted cash flow and (iii) the performance of the Primavera shopping mall that registered a gain of S/.10.9 million as a result of the shopping mall expansion at the end of 2011.

### *Selling and Administrative Expenses*

The following table sets forth the principal components of selling and administrative expenses for the years ended December 31, 2012 and 2011:

	Year Ended December 31,			
	2012	2011	Variation	% Variation
	(S/. in millions)	(S/. in millions)	(S/. in millions)	
<b>Selling and Administrative Expenses</b>				
Personnel expenses.....	(11.0)	(7.5)	(3.5)	47.0%
Professional fees.....	(1.0)	(1.9)	0.9	(46.4)%
Depreciation and amortization .....	(0.6)	(0.5)	(0.1)	21.3%
Others .....	(5.5)	(10.2)	4.7	(46.1)%
<b>Total Expenses .....</b>	<b>(18.1)</b>	<b>(20.1)</b>	<b>1.9</b>	<b>(9.7)%</b>

Selling and administrative expenses decreased S/.1.9 million, or 9.7%, from S/.20.1 million for the year ended December 31, 2011 to S/.18.1 million for 2012. This variation was due to extraordinary expenses in 2011 such as (i) profit compensation to tenants associated with the Primavera remodeling of S/.1.0 million and (ii) extraordinary marketing expenses of S/.0.6 million related to a Primavera shopping mall publicity campaign prior to the launching of the expanded area.

### *Other Income (expenses), Net*

Other income (expenses), net, increased S/.2.2 million, or 109.8%, from an expense of S/.(2.0) million for the year ended December 31, 2011 to a gain of S/.0.2 million, for 2012. This variation is mainly explained by the loss associated with the cancellation of a land participation certificate in 2011.

### *Adjusted EBITDA*

Adjusted EBITDA increased by 46.2%, mainly as a result of our revenues due to the opening of the Guardia Civil shopping mall, the completion of the remodeling and expansion of the Primavera shopping mall and the expansion of six shopping malls (Chiclayo, Juliaca, Trujillo, Huancayo, Santa Clara and Pro) in 2012.

### *Adjusted EBITDA Margin*

Adjusted EBITDA margin for the year ended December 31, 2012 was 76.9% compared to 67.3% for 2011. The increase in this margin was mainly explained by (i) the decrease in selling and administrative expenses as a result of one time expenses registered in 2011 related to the remodeling and expansion of the Primavera shopping mall and (ii) the increase in other income (expenses), net, due to a loss associated with the cancellation of a land participation certificate. We calculate our Adjusted EBITDA margin as Adjusted EBITDA as a percentage of net rental income.

### *Financial Income*

Financial income increased S/.12.5 million due to higher interest rates on deposits that came from 2012 capital contributions.

### *Financial Expenses*

Financial expenses increased S/.36.7 million, or 135.4%, from S/.27.1 million for the year ended December 31, 2011 to S/.63.8 million for 2012. This increase is mainly explained by the interest expenses in 2012 related to the loan agreement with DB London.

### *Exchange Difference, Net*

We are exposed to the effects of fluctuations in the exchange rate due to foreign currency holdings and indebtedness.

The exchange difference gain for the year ended December 31, 2011 was S/.3.9 million, explained by a decrease in the average exchange rate from S/.2.696 soles per US\$1.00 as of December 31, 2011 to S/.2.550 soles per US\$1.00 as of December 31, 2010.

The exchange difference gain for the year ended December 31, 2012 was S/.32.8 million, explained by a decrease in the average exchange rate from S/.2.696 soles per US\$1.00 as of December 31, 2011 to S/.2.550 soles per US\$1.00 as of December 31, 2012.

#### *Income Tax*

We estimate income tax based on our profit from leasing revenues and capital gains tax from realized gains or losses in the values of our investment properties. Income tax increased S/.24.4 million, or 165.2%, from S/.14.8 million for the year ended 2011 to S/.39.2 million for the same period in 2012.

Income tax as a percentage of profit before income tax increased from 15.4% in the year ended December 31, 2011 to 27.2% in the year ended December 31, 2012.

We accrue income tax but do not pay cash income taxes unless and until we distribute income from a Peruvian trust to outside Peru.

### **Liquidity and Capital Resources**

#### *General*

Liquidity and capital resources are generated through cash from operations, financing and capital contributions from shareholders.



The following table sets forth our cash flow for the three months ended March 31, 2014 and 2013 and for the years ended December 31, 2013, 2012 and 2011:

	For the three months ended March 31,		For the year ended December 31,				
	2014 (S/. in millions)	2013	2013	2012	2011	% 2013-2012 Variation	% 2012-2011 Variation
<b>Operating activities</b>							
Net profit .....	15.1	3.7	38.8	104.7	80.9	(63.0)%	29.5%
Depreciation.....	0.4	0.2	1.0	0.6	(0.4)	64.4%	(239.0)%
Fair value adjustment to investment properties .....	(4.2)	(1.1)	(42.4)	(78.0)	(61.0)	(45.5)%	27.9%
Allowance for doubtful accounts receivables .....	0.3	0.4	0.6	1.4	1.4	56.7%	—
Amortization of intangible assets.....	0.0	0.0	0.1	0.0	0.0	147.1%	—
Exchange differences, net .....	2.4	9.9	48.6	(28.8)	(1.4)	(268.5)%	2002.8%
Deferred income taxes .....	6.5	1.9	14.7	38.6	14.5	(62.0)%	166.4%
Working capital adjustments .....	21.9	10.0	11.4	2.5	37.4	353.0%	(93.2)%
<b>Net cash used in operating activities..</b>	<b>42.5</b>	<b>24.8</b>	<b>72.7</b>	<b>41.1</b>	<b>71.4</b>	<b>77.1%</b>	<b>(42.5)%</b>
<b>Investing activities</b>							
Redemption/(subscription) of mutual funds .....	—	213.2	440.0	(440.0)	—	(200.0)%	—
Loans granted to related parties .....	—	—	26.0	(79.0)	12.8	(133.0)%	(717.5)%
Purchase of fixed assets .....	(0.1)	(0.3)	(1.9)	(1.0)	6.9	101.0%	(114.1)%
Purchase of investment properties .....	(92.6)	(208.6)	(600.0)	(253.8)	(147.3)	136.4%	72.3%
Value added tax payment corresponding to purchase of properties investment .....	(11.2)	(20.4)	(88.9)	(25.7)	(19.4)	245.3%	32.6%
<b>Net cash used in investment activities</b>	<b>(103.9)</b>	<b>(16.1)</b>	<b>(224.8)</b>	<b>(799.5)</b>	<b>(147.0)</b>	<b>(71.9)%</b>	<b>443.8%</b>
<b>Financing activities</b>							
Cash contribution of participation certificates <sup>(1)</sup> .....	—	160.0	160.0	909.3	69.7	(82.4)%	1204.6%
Deemed distribution.....	—	—	—	(204.8)	(184.3)	—	11.1%
Net Debt.....	21.0	(12.8)	(142.9)	129.5	320.3	(210.3)%	(59.6)%
<b>Net cash provided by financing activities .....</b>	<b>21.0</b>	<b>147.2</b>	<b>17.1</b>	<b>834.0</b>	<b>205.7</b>	<b>(97.9)%</b>	<b>305.4%</b>
Net increase in cash and cash equivalents during the year .....	(40.4)	155.9	(134.9)	75.5	130.1	(278.6)%	(41.9)%
Cash and cash equivalents at beginning of year .....	80.8	215.7	215.7	140.2	10.1	53.9%	1,285.5%
<b>Cash and cash equivalents at end of year.....</b>	<b>40.5</b>	<b>371.6</b>	<b>80.8</b>	<b>215.7</b>	<b>140.2</b>	<b>(62.5)%</b>	<b>53.9%</b>

(1) The cash inflows are primarily due to capital contributions from the initial public offering of InRetail Peru. Figures shown in this line are net of capital surplus.

## Cash Flow

In the three month period ended March 31, 2014, cash at end of the period was S/.40.5 million, compared to S/.371.6 million in the same period in 2013. The decrease in total cash flow was mainly a result of financing activities.

Cash flow for 2013 was S/.80.8 million, compared to S/.215.7 million in 2012. The decrease in total cash flow was mainly a result of financing activities.

Cash flow for 2012 was S/.215.7 million, compared to S/.140.2 million in 2011. The increase in total cash flow was mainly a result of financing activities.

### ***Operating Activities***

For the three months ended March 31, 2014, our net cash flows provided by operations resulted in a net cash inflow of S/.42.5 million compared to S/.24.8 million in the same period in 2013. This increase was primarily due to an increase in operating profit of S/.12.7 million, partially offset by a decrease in financial income of S/.4.3 million.

During 2013, our net cash flows provided by operations resulted in a net cash inflow of S/.72.7 million compared to a cash inflow of S/.41.1 million in 2012. This increase was primarily due to the opening of the Piura and Huanuco shopping malls and the expansion of the Juliaca shopping mall.

During 2012, our net cash flows provided by operations resulted in a net cash inflow of S/.41.1 million compared to a cash inflow of S/.71.4 million in 2011. This decrease in net cash flows provided by operations in 2012 as compared to 2011 was primarily explained by the recovery of an account receivable with a related party of S/.16.1 million in 2011.

### ***Investing Activities***

For the three months ended March 31, 2014, our net cash flows used in investing activities resulted in a net cash outflow of S/.103.9 million compared to S/.16.1 million in 2013. For the three months ended March 31, 2014, investing activities included capital expenditures outflows mostly explained by the Salaverry and Cusco shopping malls and the acquisition of landbank.

During 2013, our net cash flows used in investing activities resulted in a net cash outflow of S/.224.8 million compared to S/.799.5 million in 2012 and S/.147.0 million in 2011.

Investing activities in 2013 included (i) the redemption of S/.440.0 million in mutual fund investments, due to capital expenditure requirements and (ii) capital expenditures outflows mostly explained by the Piura, Salaverry, Cusco, and Cajamarca shopping malls.

Investing activities in 2012 included (i) the subscription of S/.440.0 million in mutual fund investments, associated with the excess cash generated by 2012 capital contributions and (ii) capital expenditures outflows mostly explained by the Salaverry, Cusco, Huanuco and Juliaca shopping malls.

Investing activities in 2011 included capital expenditures outflows mostly explained by the Guardia Civil, Primavera and Santa Clara shopping malls.

### ***Financing Activities***

For the three months ended March 31, 2014, our net cash flows provided by financing activities resulted in a net cash inflow of S/.21.0 million compared to S/.147.2 million in 2013. For the three months ended March 31, 2014, financing activities included new debt in the amount of S/.22.5 million related to the Cusco shopping mall leaseback, and amortization of S/.1.4 million related to the existing indebtedness as of December 31, 2013. In the same period in 2013, financing activities included a capital contribution of S/.160.0 million and a decrease in net debt of S/.12.8 million.

During 2013, our net cash flows provided by financing activities resulted in a net cash inflow of S/.17.1 million compared to S/.834.0 million in 2012 and S/.10.1 million in 2011. Financing activities in 2013 included a capital contribution of S/.160.0 million and a decrease in net debt of S/.142.9 million.

Financing activities in 2012 included a capital contribution of S/.917.6 million net of a capital decrease of S/.8.3 million, deemed distribution of S/.204.8 million and an increase in net debt of S/.129.5 million.

Financing activities in 2011 included a capital contribution of S/.69.7 million, deemed distribution of S/.184.3 million and an increase in net debt of S/.320.3 million.

## Investments in Shopping Malls

The following table sets forth information regarding our investments (acquisitions and capital expenditures) in our shopping malls for the periods indicated.

	For the three months ended March 31,		For the year ended December 31,		
	2014	2013	2013	2012	2011
	(S/. in millions)		(S/. in millions)		
Piura.....	2.1	149.7	178.3	–	–
Salaverry.....	36.8	(3.0)	171.4	22.6	3.5
Cusco.....	12.1	24.1	102.8	51.6	–
Cajamarca.....	3.8	15.8	93.0	3.8	0.1
Huánuco.....	1.4	8.2	21.2	57.7	–
Nuevo Chimbote.....	–	6.3	14.2	–	4.6
Huancayo.....	3.9	0.2	5.7	9.5	0.2
Trujillo.....	0.2	0.3	1.2	11.8	–
Guardia Civil.....	0.4	0.1	0.8	2.0	38.1
Juliaca.....	0.2	0.1	0.5	21.2	13.1
Pro.....	0.3	0.2	0.3	9.7	12.6
Primavera.....	0.1	0.1	0.3	0.9	35.4
Santa Clara.....	–	0.1	0.2	12.2	26.4
Arequipa.....	–	–	0.1	–	6.8
Jirón de la Unión.....	–	–	0.0	–	3.8
Chiclayo.....	5.8	4.3	26.7	10.1	2.0
Leasing Chiclayo.....	–	–	(28.2)	–	–
Landbank.....	25.5	2.3	11.4	40.8	0.8
<b>Total.....</b>	<b>92.6</b>	<b>208.6</b>	<b>600.0</b>	<b>253.8</b>	<b>147.3</b>

During the three-month periods ended March 31, 2014 and 2013, we made the following investments in land and shopping malls:

- Continuing construction of our Salaverry shopping mall with an investment of S/36.8 million.
- Continuing construction of our Cusco shopping mall with an investment of S/12.1 million as of March 31, 2014 and S/24.1 million for the three months ended March 31, 2013.
- Continuing construction of our Cajamarca shopping mall with an investment of S/3.8 million as of March 31, 2014 and S/15.8 million for the three months ended March 31, 2013.
- Expansion of our Huancayo shopping mall with an investment of S/3.9 million as of March 31, 2014. This expansion is expected to open in December 2014.
- Expansion of our Chiclayo shopping mall with an investment of S/5.8 million as of March 31, 2014 and S/4.3 million for the three months ended March 31, 2013. This expansion started operations in December 2013.
- Purchase of a land area of 3,147 m<sup>2</sup> for a total price of S/22.2 million located in Chacarilla, Lima.

During 2013, 2012 and 2011, we made the following investments in land and shopping malls:

- Purchase of land and construction in progress of our Piura shopping mall from Interseguro for a total price of S/129.0 million. This shopping mall started operations in April 2013.

- Construction of our Salaverry shopping mall started in 2012, with an investment of S/.171.4 million in 2013, S/.22.6 million in 2012 and S/.3.5 million in 2011. This shopping mall started operations in May 2014.
- Construction of our Cusco shopping mall with an investment of S/.102.8 million in 2013 and S/.51.6 million in 2012. This shopping mall started operations on December 2013.
- Construction of our Cajamarca shopping mall with an investment of S/.93.0 million in 2013 and S/.3.8 million in 2012. This shopping mall started operations on December 2013.
- Construction of our Huánuco shopping mall with an investment of S/.21.2 million in 2013 and S/.57.7 million in 2012. This shopping mall started operations on December 2012.
- Purchase of land located in our Nuevo Chimbote from Urbi Propiedades S.A., for a price of S/.14.2 million in 2013.
- Expansion of our Huancayo shopping mall with an investment of S/.5.7 million in 2013 and S/.9.5 million in 2012. The expansion started operations in December 2012.
- Expansion of our Trujillo shopping mall with an investment of S/1.2 million in 2013 and S/.11.8 million in 2012. The expansion started operations in June 2012.
- Construction of our Guardia Civil shopping mall with an investment of S/.2.0 million in 2012 and S/.38.1 million in 2011. This shopping mall started operations in October 2011.
- Construction of our Juliaca shopping mall with an investment of S/21.2 million in 2012 and S/.13.1 million in 2011. This shopping mall started operations in April 2011.
- Expansion of our Pro shopping mall with an investment of S/.9.7 million in 2012 and S/.12.6 million in 2011. This shopping mall started operations in January 2008.
- Expansion of our Primavera shopping mall with an investment of S/.35.4 million in 2011. This is our first shopping mall and was operational since September 2001.
- Expansion of our Santa Clara shopping mall with an investment of S/.12.2 million in 2012 and S/.26.4 million in 2011. This shopping mall started operations on April 2009.
- Expansion of our Arequipa shopping mall with an investment of S/.6.8 million in 2011. This shopping mall started operations on September 2010.

## Indebtedness

The table below sets forth our material outstanding indebtedness as of March 31, 2014 and 2013 and December 31, 2013 and 2012.

Summary	As of March 31,		As of December 31,	
	2014	2013	2013	2012
	(S/. in millions)		(S/. in millions)	
<b>To related parties</b>				
Leasing Cusco .....	65.2	—	55.7	—
Leasing Santa Clara .....	3.7	5.1	4.1	5.5
Leasing equipment acquisition.....	—	0.4	0.2	0.4
Leasing transport units .....	0.3	—	—	—
<b>To non-related parties</b>				
Leasing Chiclayo .....	79.1	59.9	80.5	53.5
Leasing IBM Peru .....	0.3	—	0.3	—
Promissory notes - Primavera .....	27.1	27.6	28.0	27.9
<b>Loans from foreign entities</b>				
DB Loan.....	471.8	463.0	455.0	456.0
<b>Corporate bonds issuance</b> .....	—	<b>150.2</b>	—	<b>148.0</b>
<b>Total</b> .....	<b>647.5</b>	<b>706.2</b>	<b>623.9</b>	<b>691.2</b>

As of March 31, 2014, our outstanding short-term obligations were S/.14.2 million and our outstanding long-term obligations were S/.633.3 million. Below is a description of our material outstanding indebtedness as of March 31, 2014.

### DB Loan

Pursuant to the DB Credit Agreement, DB London made a US\$185.0 million secured loan to Interproperties Holding. The proceeds of the Interproperties Notes were used to purchase from DB London a 100% participation interest in the DB Loan. This loan has a nominal annual interest rate of 8.75% and matures in 2023. For further information, see note 14(h) to our audited annual consolidated financial statements included in this offering memorandum. Because the Tender Offer and Consent Solicitation were successful, the DB Credit Agreement was amended to eliminate substantially all of its restrictive covenants and certain of its events of default as well as the references to the security documents and corresponding security interests relating to the DB Credit Agreement. See “Summary—The Refinancing Transaction.”

### Cusco Leaseback

IPDS signed a lease-back agreement with Banco Internacional del Perú S.A.A. and InRetail Real Estate for an amount of S/.108.3 million in November 2013. This loan is to be repaid in 144 monthly installments and bears an annual interest rate of 8.90%. As of December 31, 2013, S/.60.0 million had been disbursed.

### Santa Clara Leasing and Leaseback

Interproperties Peru borrowed a total of S/.8.0 million under S/.7.4 million leasing and S/.0.5 million lease-back agreements with Banco Internacional del Perú S.A.A. in March 2011, which is to be repaid in 60 and 50 monthly installments, respectively. Both loans bear annual interest rate of 8.25%.

### Chiclayo Leasing

Interproperties Peru borrowed S/.36.0 million from Banco de Crédito del Perú in September 2009, which is to be repaid in 120 monthly installments. This loan bears an annual interest rate of 9.02%.

On December 2012, July 2013 and September 2013, the financing agreement was amended to increase the loan to US\$20.0 million for the enlargement of sections 2A and 2B of our Chiclayo shopping mall. This loan is to be repaid in 120 monthly installments starting on October 2013 and bears an annual interest rate of 7.62%.

#### Primavera Medium Term Loan

Interproperties Peru borrowed US\$12.0 million from Banco de Crédito del Perú in October 2011, which is to be repaid in 116 monthly installments starting on November 2011. This loan bears an annual interest rate of 6.60%.

#### *Off-Balance Sheet Arrangements*

For any of the periods presented, we did not have any off-balance sheet transactions, arrangements or obligations with unconsolidated entities or otherwise that are reasonably likely to have a material effect on our business.

#### **Qualitative and Quantitative Disclosures about Market Risk**

Market risk is the risk that the fair values of the future cash flows of a financial instrument fluctuate due to changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and investments in shares risk. In our case, our financial instruments affected by market risks include loans, which are exposed to currency risk and interest rate risk.

For further information regarding our market risk, see note 26 to our audited annual consolidated financial statements included in this offering memorandum.

#### **Interest rate risk**

This is the risk that the fair values or future cash flows of a financial instrument fluctuate due to changes in market interest rates. We manage our interest rate risk through debt with a fixed interest rate. As of March 31, 2014 and 2013, we do not maintain variable rate debt, which would be exposed to the risk of change in the interest rate.

#### **Foreign exchange risk**

This is the risk that the fair values or future cash flows of a financial instrument fluctuate due to changes in exchange rates. Our exposure to exchange rate risk is related mainly to our operating activities related to rental income in foreign currency and financial obligations; for that reason, management sets limits on exposure levels by currency that are monitored daily.

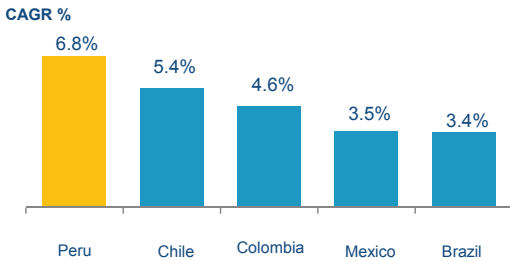
## THE INDUSTRY

### Evolution of the Peruvian Retail Sector

Peru has one of the most dynamic consumer markets in Latin America, benefiting from: (1) a rapidly growing economy with low inflation, and is one of only six investment-grade countries in the world with average annual real GDP growth over 6.0% in the last five years; from 2009 to 2013, Peru achieved a 6.8% average annual real GDP growth rate, compared to 3.4% for Brazil, 3.5% for Mexico, 4.6% for Colombia and 5.4% for Chile, according to the IMF; (2) increasing purchasing power as measured by GDP per capita, which has doubled since 2007, according to the World Bank; and (3) a socioeconomic transformation, with approximately 20% of Peru's population, nearly 5.6 million people, having risen above the poverty level from 2007 to 2013, and the upper and middle classes (roughly equivalent to the A, B and C socioeconomic segments) having expanded from approximately 20% of households in 2003 to approximately 34% in 2013, incorporating 4.3 million people into the middle class. As of 2013, 63.7% of Peru's population was younger than 35 years of age, according to INEI.

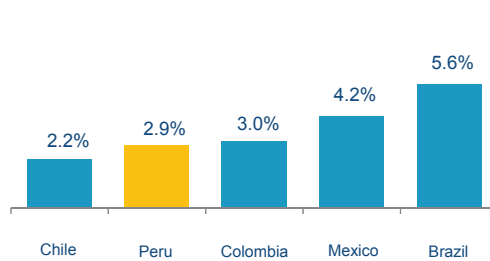
The following charts set forth the evolution of Peru's GDP and inflation between 2009 and 2013 compared to other Latin American countries, as well as the growth in purchasing power and shifts in socioeconomic segments in Peru over the respective time frames.

#### Latin America Real GDP Growth ('09-'13)



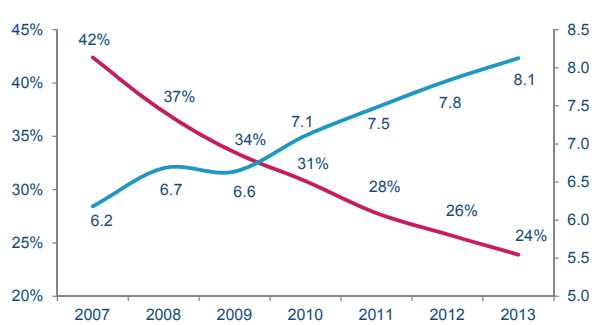
Source: IMF

#### Latin America Average Inflation ('09-'13)



Source: World Bank

#### Poverty rate (%) and GDP per capita (\$/ 000)



#### Population by Socioeconomic Category

Source: INEI and IMF

Source: Ipsos - Apoyo

#### Purchasing Power

Socio-economic Segment*	Annual Income	2003	2013
% of total population			
A	\$ 45,962	5%	11%
B	\$ 22,852		
C	\$ 14,455	15%	23%
D	\$ 8,777	29%	27%
E	\$ 6,163	51%	38%

+14%

-14%

\*Socioeconomic segment A is defined as annual income from US\$ 56,249 to US\$ 43,219, while segment B is from US\$ 26,592 to US\$ 20,953 and segment C is from US\$ 15,665 to US\$ 12,691.

The IMF projects that over the next five years (2014-2018), Peruvian real GDP growth will continue increasing at an average annual rate of 5.8% per year, exceeding the 4.0% average annual growth rate expected for the region (defined as the weighted average real GDP growth of Chile, Brazil, Colombia and Mexico over the same projected

period). In addition, the Peruvian Ministry of Economy and Finance (“MEF”) has estimated Peru’s real GDP to continue growing by 5.7% and 6.5% in 2014 and 2015, respectively.

As a result of Peru’s economic growth and private investment, the modern retail sector has experienced a transformation over the past decade, growing from an estimated aggregate size of S/.90.5 billion in 2003 to S/.209.5 billion in 2013, according to Planet Retail. The modern retail market has expanded nationwide due to an increase in the number of shopping malls, supermarkets, department stores and other modern retail formats. Focus Economics estimates that over the next five years (2014-2018) the sales in the retail sector will continue increasing at an average annual rate of 6.3% per year, exceeding the 4.4% annual growth rate expected for the region. Notwithstanding this growth, formal retail penetration is very low and still has significant growth potential both in Lima and in other cities across the country. For example, the formal retail market penetration in food retail is amongst the lowest in the region according to Business Monitor International: in Peru, formal food retail represents only 20% of total food retailing in the country compared to 42% in Colombia, 52% in Chile or 63% in Mexico.

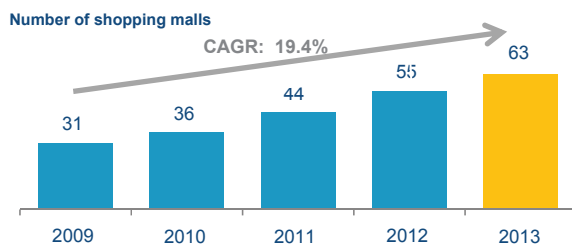
### The Shopping Mall Industry

The Peruvian shopping malls industry has experienced strong growth during the last five years, partly explained by the growth of the economy (GDP CAGR of 6.8%) and its effect on GDP per capita (CAGR of 5.2%) and private consumption (CAGR of 6.5%).

According to the ACCEP, as of December 2013, the Peruvian shopping mall industry consisted of 63 shopping malls, of which 29 shopping malls were located in Lima and 34 outside of the Lima metropolitan area, with a total GLA of 2,013,000 m<sup>2</sup>. The number of shopping malls and GLA has grown at an estimated compounded annual rate of approximately 19.4% and 25.0%, respectively, during the five years ended December 31, 2013. Additionally, gross sales in shopping malls have grown at an estimated compounded annual rate of approximately 30.7% during the same period. During 2013, Peruvian shopping malls received approximately 42.9 million visitors per month, an increase of 17.5% over the visitors per month received in 2012. The industry’s total investment during 2013 reached US\$417 million representing a 35.0% growth over 2012. Approximately 94% of this investment was outside the Lima metropolitan area.

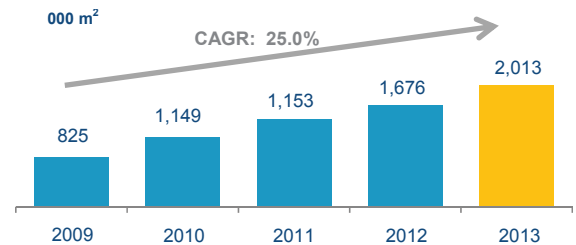
The following charts set forth the shopping malls and GLA evolution between 2009 and 2013.

**Shopping Malls Evolution (‘09-’13)**



Source: ACCEP

**GLA Evolution (‘09-’13)**



Source: ACCEP

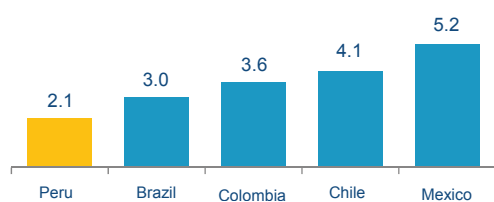
Between 2009 and 2013, a total of 1,188,000 m<sup>2</sup> of GLA were added in Peru representing a CAGR of 25.0% for the same period.

Despite recent growth, Peruvian shopping mall penetration is still low when compared to other Latin American countries. As of 2013, the ACCEP estimated that there were 2.1 shopping malls per million inhabitants in Peru compared to 4.1 in Chile, 3.6 in Colombia and 3.0 in Brazil.

The following chart sets forth information about the number of shopping malls and GLA per million people in Peru and certain other Latin American countries.

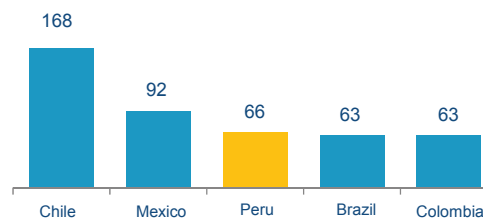


### Shopping malls per million inhabitants (2013)



Source: ACCEP 2012 for Mexico. ACCEP 2013 and INEI for Peru. ACCEP 2013 for others

### GLA per million inhabitants (2013)



Source: ACCEP 2013 and INEI for Peru. Cushman & Wakefield for others

### Competition

According to the ACCEP, the main players in the Peruvian shopping mall industry include: Real Plaza with 20.1% of total GLA (based on operated GLA, including shopping malls owned by third parties), Open Plaza, controlled by Falabella, with 13.3% of total GLA and Mall Aventura Plaza, controlled by Falabella and Ripley, with 12.5% of total GLA. Real Plaza is also the leading mall operator in Peru in terms of number of shopping malls operated with 19 malls, and the most diversified with presence in 12 cities across Peru.

Real Plaza has gained the most market share among its peers since 2009. Between 2009 and 2013, Real Plaza added 326,000 m<sup>2</sup> representing a market share of 20.1% in 2013. We expect recent openings like Salaverry to further contribute to gains in our market share.

The following table sets forth information about our shopping mall division and our main competitors in Peru as of December 31, 2013:

	Market Share <sup>(1)</sup>	# of Malls	Estimated Average Monthly Visitors (millions)	# of Cities Present
Real Plaza	20.10%	18	11.3	12
Open Plaza	13.30%	8	5.6	5
Aventura Plaza	12.50%	4	4.2	3
Mega Plaza	8.70%	7	4.5	5
Jockey Plaza	6.80%	1	2.5	1
Plaza Norte	5.20%	1	3.5	1
Other	33.4%	24	1.7	NA

Source: ACCEP, Companies filings

(1) Based on GLA operated as of 2013. Excludes Real Plaza Salaverry.

## BUSINESS

### Overview

We are the largest company in the shopping mall sector in Peru. We are the largest owner, developer and operator of shopping malls based on both GLA and the number of shopping malls. Under our Real Plaza brand, we operate 16 shopping malls with 495,533 m<sup>2</sup> of GLA that we own or lease on a long-term basis and three additional shopping malls with 58,000 m<sup>2</sup> of GLA that are owned by related parties. Based on our internal estimates, our diversified portfolio of shopping malls attracts the highest amount of consumer foot traffic in Peru because of our unique combination of premier locations and highly recognized tenants' retail brands.

We strive to grow our business organically by taking advantage of shopping mall development opportunities we identify throughout Peru, expanding our reach across socioeconomic segments and geographic markets. Over the next few years we intend to expand four of our successful shopping malls onto adjacent land we already own, increasing our GLA at a relatively low cost and with low execution risk. We will also develop our next mall, Puruchuco, which will have over 100,000 m<sup>2</sup> of GLA, the majority of which is already leased. Our expertise in selecting, securing and developing these and other locations is a key growth driver of our business.

As of March 31, 2014, the total value of our investment properties was US\$763.5 million (S/.2,143.8 million) and our total assets were US\$871.5 million (S/.2,447.1 million). Of our 19 operated shopping malls, eight are located in Lima and the other 11 are in the provinces. Many of our shopping malls have strategic locations in the largest provinces in Peru, which has allowed them to attract and maintain an impressive tenant base and serve as shopping and entertainment hubs for local communities.

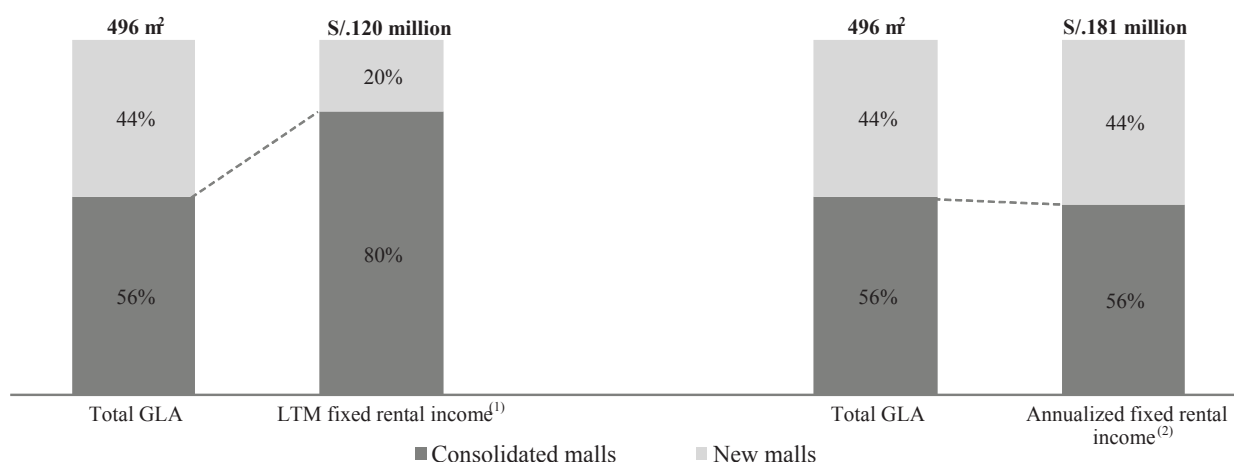
We acquired our first shopping mall, Primavera, in Lima in 2001 and have since increased our GLA over 56-fold to 553,534 m<sup>2</sup> as of May 31, 2014. Our parent company, InRetail Peru, successfully completed an initial public offering on the LSE in late 2012 and has since contributed US\$418 million in cash proceeds to our business that has been used to increase our GLA and number of shopping malls. With this capital contribution, during the last eighteen months, we have added 226,815 m<sup>2</sup> of GLA, an increase of 70%, both expanding one existing mall and developing five new malls, including Salaverry, our new flagship mall, which is 100% leased and has 71,936 m<sup>2</sup> of GLA. We believe we are in a very strong position to capitalize on our recent significant investments in GLA and Peru's consumption growth to secure highly predictable cash flows and increase our revenues and profitability.

We believe that our financial results as of March 31, 2014, particularly our revenues and net profit, do not yet reflect our significant recent investments in GLA. For example, the annualized fixed rental income for our signed lease contracts at Salaverry as of May 31, 2014 is S/.38 million, but Salaverry has not yet generated rental income as of March 31, 2014, as it was opened to the public in May 2014. Furthermore, fixed rental income as of March 31, 2014 generated by our five new malls, shopping malls that have been operating for less than eighteen months, represented 20% of our total fixed rental income. However, the GLA of our new malls represented 44% of our total GLA under operation as of March 31, 2014.

The chart below illustrates how our recent investments in our new malls will impact our financial measures.

### GLA and Fixed Rental income

Rental income in million S/. GLA in thousands as of May 31, 2014



(1) Fixed rental income from tenants as of the last twelve months ending March 31, 2014.

(2) Annualized fixed rental income is calculated by annualizing the fixed rental income from tenants for the three months ending March 31, 2014 based on existing signed contracts with tenants. Salaverry annualized fixed rental income reflects the next twelve months' fixed rental income from existing signed contracts with tenants as of March 31, 2014.

We believe that Peru offers attractive opportunities for significant growth based on its macroeconomic prospects, stable political environment, favorable demographic trends and emerging middle class, combined with a retail sector that is underpenetrated by modern formats. Peru has been Latin America's fastest growing country in terms of real GDP growth and is one of only six investment-grade countries in the world with average annual real GDP growth over 6.0% from 2007 to 2013, according to the IMF. During the same time period, the poverty level (measured as the number of people living below the poverty line as a percentage of total population) was reduced from 42.4% in 2007 to 23.9% according to the INEI, Peru's national institute of statistics and data. This implies that 19% of Peru's population, approximately 5.5 million people, have risen above the poverty level and are entering a middle class. As of 2013, 63.7% of Peru's population was younger than 35 years of age, according to INEI. We focus on meeting the growing needs of Peruvian consumers who, as they become wealthier and demand higher quality products and services, are shifting towards modern, formal retailers and away from the country's traditional retail sector.

Our ultimate parent company is Intercorp Peru, one of Peru's largest business groups, with activities spanning financial services, retail, education and real estate. In 2001, Intercorp Peru began investing in the Peruvian retail sector, attracted by its strong growth potential, increasing consumer purchasing power and an underpenetrated modern retail sector. We believe that being part of a locally owned and operated group offers us the significant advantages of an exclusive focus on Peru and a deep understanding of the country in general and its retail and real estate markets in particular.

### Our Strategy

We expect to continue our profitable growth by implementing the strategies below to meet the evolving needs of the Peruvian retail consumer and expand the geographic and socioeconomic reach of our shopping malls.

#### *Capitalize on our Leading Position to Become the Preferred Option for Customers*

Our deep local market knowledge and consumer analytics allow us to identify customer needs and behaviors that may change based on geographic location. Based on this knowledge and analytics, we carefully select our tenants, including successful local retailers, and design our tenant mix to provide an enhanced shopping experience.

We monitor the evolution of consumer demands and the performance of tenants to renew our assortment and ensure a modern, up-to-date, product and service offering. Our customer-centric marketing campaigns and promotions are designed to generate additional traffic and generate more sales for our tenants. While the majority of our rental income comes from fixed monthly payments, we believe that the variable component of our rental income also provides a source of future growth. The variable component is based on our tenants' actual sales, which we expect to increase as our shopping malls consolidate and Peruvian consumer demand continues to grow.

### ***Capture Untapped Demand by Expanding our GLA***

We select locations for our shopping malls where there is significant unmet consumer demand. Our in-house scouting team, with extensive expertise and market knowledge, is exclusively dedicated to finding and securing properties located in premier locations. Our consumer demand analytics helps us target stable communities with in-place infrastructure, low penetration of modern shopping malls and other modern retail formats, robust population and business growth, and above-average household income.

We intend to continue to generate opportunities to diversify our shopping mall portfolio by expanding our geographic reach and targeting multiple socioeconomic segments. We plan to use US\$35.5 million of the proceeds of this offering to purchase land in Puruchuco to develop our next shopping mall, and another US\$17.0 million for the first phase of our North Chiclayo shopping mall. Puruchuco will become our largest shopping mall, with over 100,000 m<sup>2</sup> of GLA, and will be located in a growing middle class community with no convenient access to other shopping malls.

When developing a new shopping mall, we typically reserve a portion of the underlying real estate for future growth projects, facilitating future expansions that can also increase our GLA and allow for improvements in our tenant mix. We typically expand our more consolidated shopping malls when we believe there is new unsatisfied consumer demand. This strategy seeks to permit for relatively low-risk investments with faster income ramp-ups and higher occupancy levels. We plan to use US\$28.7 million of the proceeds of this offering to expand our shopping malls at Juliaca, Huancayo, Guardia Civil and Trujillo, adding 23,672 m<sup>2</sup> of additional GLA.

### ***Become the Preferred Partner for Tenants***

We seek to generate new and improved relationships with locally and globally recognized tenants. Our shopping malls offer tenants substantial consumer foot traffic because of our strategic locations, anchor stores, marketing investments, efficient operations and superior tenant service. We serve as a growth platform for our tenants, not only because we are the most geographically diversified shopping mall chain in Peru, but also because we provide value-added sales, consulting services and the opportunity to expand nationwide as we develop additional shopping malls and expand our existing shopping malls. This approach allows us to achieve lease renewals and enjoy high occupancy rates.

## **Competitive Strengths**

### ***Highly Predictable Cash Flows***

Our high occupancy rates and largely fixed-rental-income contracts lead to highly predictable cash flows. The substantial majority of our cash flows come from long-term tenant leases and we also have low concentration of lease expiration maturities. For the year ended 2013, approximately 87% of our rental income came from fixed lease payments. In addition, as of May 31, 2014, our entire shopping mall portfolio was fully constructed and in operation. Our average occupancy rate as of March 31, 2014 was 93% even when considering recently opened malls like Piura, Cajamarca and Cusco, which opened during 2013.

### ***High Cash Realization***

As opposed to the U.S. REITs or the similar Mexican FIBRAS that require high dividend payment rates, we are not required to distribute dividends. We have not distributed dividends and do not intend to distribute any dividends in the near future. The net income of the Issuer will be subject to taxation only when it is distributed to InRetail RE, which distributions will be in our sole discretion. Our regulatory framework thereby provides a high level of cash realization, which is available for debt service and capital expenditures to grow our business. As a result, we believe

that our Adjusted EBITDA is a close measure of net cash flow than that of many of our peers that are organized as REITS or FIBRAS.

### ***High Quality and Diversified Portfolio of Premier Shopping Mall Locations***

We carefully analyze potential locations based on our deep local market knowledge and our consumer demand analytics software, considering size, density, purchasing power, competition and growth prospects of each location. Our experienced in-house development team has developed a rigorous yet efficient approval process to facilitate sound strategic decisions throughout the site selection, investment approval, construction and operating phases of our shopping malls. The understanding of the market and the process described above led us to be the first shopping mall operator to open a mall outside of Lima, in 2006. Furthermore, we have been the first shopping mall operator to open a mall in 7 of the 12 cities in which we are currently present, allowing us to select premier locations that become shopping and entertainment hubs.

Our portfolio of shopping malls is strategically diversified with respect to both geographic location and target customer socioeconomic segment. We have 8 shopping malls in the city of Lima with 219,724 m<sup>2</sup> of GLA (39.7% of our total GLA), including our Salaverry shopping mall, the most modern shopping mall in the country. We also have 11 shopping malls located in 10 provinces of Peru with 333,810 m<sup>2</sup> of GLA (60.3% of our total GLA). Our nationwide presence, our proprietary consumer demand analysis and our experience operating shopping malls allow us to benefit from the economic growth of various regions and income categories, minimizing the impact of fluctuations in regional economies and providing us with key competitive advantages for the implementation of our growth strategy.

### ***Pipeline of Premium Projects Under Development***

Our premium shopping mall development projects in Lima and in Peru's provinces are commercially strategic and will target various socioeconomic segments. While we currently do not have any shopping malls under construction, we have developed a pipeline of very attractive shopping mall projects. We plan to use a portion of the proceeds from this offering to purchase real estate in eastern Lima to develop the Puruchuco project, a landmark shopping mall with over 100,000 m<sup>2</sup> of GLA that will mainly target Peru's growing middle class. We estimate this project will be the largest shopping mall in Peru and will be strategically located in Ate, one of the most densely populated and transited districts in Lima. We also plan to use part of the proceeds from this offering to expand our Juliaca, Huancayo, Guardia Civil and Trujillo shopping malls and the first phase of our North Chiclayo development.

### ***Strong and Stable Relationships with Retailers***

Our diversified portfolio of shopping malls, high amounts of consumer foot traffic and our value-added services enable us to enjoy strong and stable relationships with our shopping mall tenants, high occupancy rates in our current and future shopping malls and increasing leasing revenues. In several cases, we have had 100% GLA occupancy prior to the opening of a shopping mall. We have over 1,500 tenants in our shopping mall portfolio, and a high lease renewal rate. We also have a low concentration of lease expiration maturities. Our strong relationship with our tenants is a strategic advantage as it permits us to plan new shopping malls or mall expansions with a high degree of visibility over future rent potential. For example, we opened Salaverry in May of 2014 but we had already pre-leased over 50% of total GLA two years before opening. Similarly, our new flagship project, Puruchuco, is scheduled for completion in late 2016 but over 50% of GLA is already pre-leased as of the date of this offering memorandum.

### ***Exclusively focused on Opportunities in Peru***

We believe our exclusive focus on Peru gives us an additional advantage. Peru offers attractive opportunities for growth based on its macroeconomic prospects, stable political environment, favorable demographic trends and emerging middle class, combined with a retail sector that is underpenetrated by modern formats. Peru has been South America's fastest growing country in terms of real GDP growth and is one of only six investment grade countries in the world, with average annual real GDP growth over 6.0% from 2007 to 2013, according to the IMF. Over the last six years, 19% of Peru's population, nearly 5.5 million people, have raised above the poverty level, according to INEI. As of 2013, over 63% of Peru's population was younger than 35 years of age according to INEI.

In addition, over the past six years, the average salary for Peruvians has increased 56%, which represents a CAGR of 9% since 2007. We are well positioned to capitalize on Peru's attractive growth opportunities.

#### ***Strategic Tenants Owned by Intercorp Peru***

We believe we have an additional competitive advantage because of the relationship between our shopping malls and Intercorp Peru's retail formats. Intercorp Peru owns well-known domestic retailers such as Plaza Vea, a hypermarket and supermarket chain, Oechsle, a department store, Promart, a home improvement store, and through Nexus Group, a private equity firm and a strategic partner of Intercorp Peru, other well-known domestic retailers such as Cineplanet, a line of movie theatres, and NG Restaurants, a line of fast-food restaurants. Our relationships with these companies ensure a substantial amount of consumer foot traffic in our shopping malls. The early presence of these anchor stores in our projects also facilitates attracting additional tenants at favorable lease rates. We contract with these stores and restaurants only on an arm's-length basis.

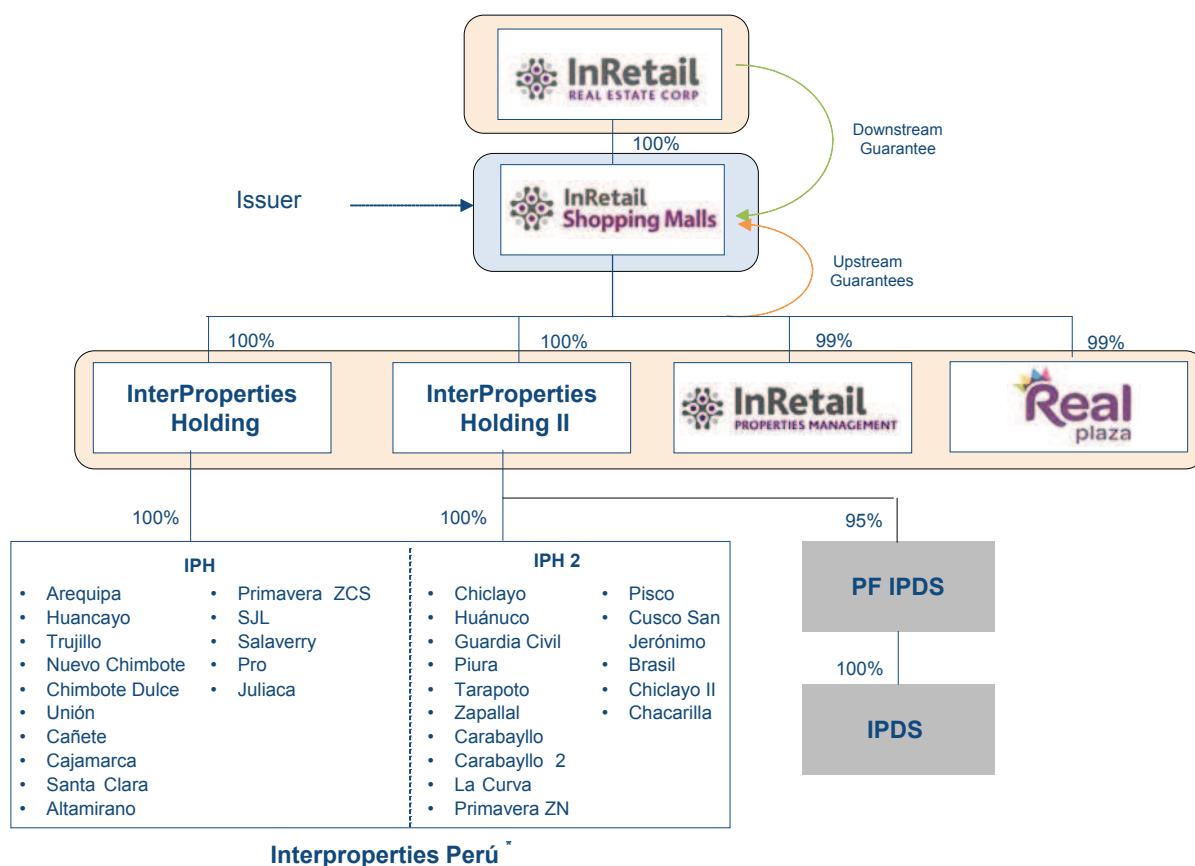
#### ***Experienced Management Team and Strong Shareholder Base***

Our seasoned management team has extensive operating experience in the retail and real estate sectors, including executive positions in major retail companies, consulting firms and multinational conglomerates in the United States and Latin America. Our management team has successfully secured locations and developed malls to grow our GLA 12-fold over the last eight years, including opening our flagship shopping mall, Salaverry, on time and under budget, and has developed very strong relationships with local and global retailers. Furthermore, certain members of our management team have executed several recent financing, acquisition and development transactions, including the issuance of US\$185 million of Senior Notes by Interproperties Finance Trust in 2011 and the \$460 million initial public offering of InRetail Peru on the Lima Stock Exchange in 2012. Our culture emphasizes teamwork and meritocracy, and focuses on attracting and retaining highly qualified personnel while maintaining a motivated workforce.

Our ultimate parent company, Intercorp Peru, is one of Peru's largest business groups, with activities spanning financial services, education, retail and real estate. We believe that being part of this group offers us advantages because of the group's exclusive focus on the Peruvian market, highly visible in-country presence and rapid decision-making capabilities. In addition, Intercorp Peru controls a complimentary portfolio of retail brands that supports the growth and operations of our shopping malls by providing valuable market and customer information.

## Organizational Structure

The following organizational chart shows the Parent Guarantor and its subsidiaries as of the date of this offering memorandum:



\* As of May 31, 2014, Interproperties Peru also owns real properties (Pucallpa, Lurin, Tabacalera (Atento) and Lillingstone) whose certificates of participation are owned by Interseguro and Inteligo Real Estate Peru S.A.C. These other real properties are not part of our business and are not included in our consolidated financial results. In addition, these other real properties are not restricted under the indenture that will govern the notes (except for Puruchuco, whose real estate is expected to be owned by InRetail Shopping Malls by the end of June 2014).

### ***InRetail Shopping Malls***

InRetail Shopping Malls is a Peruvian trust (*fideicomiso de titulización*) established and constituted under the Trust Deed entered into on May 22, 2014 by and among (i) InRetail RE, as initial settlor, and (ii) the ISM Trustee. InRetail Shopping Malls was established for a term of 99 years following the date of execution of the Trust Deed.

### ***Interproperties Holding and Interproperties Holding II***

The business of Interproperties Holding and Interproperties Holding II is the ownership, acquisition, development, leasing, management and operation of shopping malls and ownership of certificates of participation in Interproperties Peru. These entities are both Peruvian trusts (*fideicomiso de titulización*) established on September 14, 2011 and May 30, 2012, respectively. The registered address of Interproperties Holding and Interproperties Holding II is Av. Canaval y Moreyra Nro. 391, Distrito de San Isidro, Provincia y Departamento de Lima.

### ***InRetail Properties***

InRetail Properties provides advisory services to Interproperties Holding, Interproperties Holding II and Interproperties Peru relating to (i) the identification and negotiation of new real estate opportunities for future

growth, (ii) the market and financial evaluation of new acquisition or lease targets for investment approval, (iii) the development and design of new shopping malls, and (iv) the supervision of construction process.

The registered address of InRetail Properties is Calle Morelli 139, San Borja, Lima, Peru.

### ***Real Plaza***

Real Plaza manages our shopping mall operations and relationship with tenants. Its services include the organization, administration, operation, maintenance and supervision of shopping malls.

Real Plaza commenced operations in 2006 with the management of Chiclayo. Today Real Plaza manages all of Interproperties Holding's and Interproperties Holding II's shopping mall operations and is the leading manager of shopping malls in Peru.

The registered address of Real Plaza is Av. Pardo y Aliaga 640, Oficina 801, San Isidro, Lima, Peru.

### ***Interproperties Peru***

Interproperties Peru is a Peruvian trust (*fideicomiso de titulización*), which directly owns the real estate where our shopping malls are located. See "Description of the Issuer—Interproperties Perú."

The registered address of Interproperties Peru is Av. Carlos Villarán 140, piso 16, Urb. Santa Catalina, La Victoria, Lima, Peru.

## **Shopping Malls**

Our shopping malls are located in strategic areas where there is unmet demand and the potential for increasing consumer purchasing power. This diversified and hard-to-replicate shopping mall portfolio allows us to benefit from economic growth in different regions and across various socioeconomic segments in Peru. Being the first developer to expand beyond Lima in 2007 helped us develop a profitable portfolio of premium properties. Of our 19 shopping malls, 8 are in the Lima metropolitan area and the other 11 are in Chiclayo, Trujillo, Huancayo, Arequipa, Nuevo Chimbote, Juliaca, Huánuco, Piura, Cajamarca, Cusco and Sullana.

The following table shows the shopping malls we operate, both those we own or lease on a long-term basis and those owned or leased by third parties, as of March 31, 2014.

	<b>Opening Year</b>	<b>Location</b>	<b>Property Interest</b>	<b>GLA (m<sup>2</sup>)<sup>(1)</sup></b>	<b>Number of Leased Contracts</b>	<b>Occupancy Rate</b>
<b><u>Commercial Properties</u></b>						
Primavera.....	2001	Lima	Owned	34,504	109	99%
Chiclayo.....	2006	Lambayeque	Owned	44,664	132	98%
Trujillo.....	2007	Trujillo	Owned	38,573	78	98%
Pro.....	2008	Lima	Owned	21,912	56	99%
Huancayo.....	2009	Huancayo	Groundlease	32,536	84	99%
Santa Clara.....	2009	Lima	Owned	21,705	73	99%
Arequipa.....	2010	Arequipa	Groundlease	25,642	90	97%
Nuevo Chimbote.....	2010	Ancash	Owned	5,783	12	98%
Jirón de la Unión.....	2011	Lima	Owned	11,712	3	100%
Juliaca.....	2011	Puno	Groundlease	25,134	88	96%
Guardia Civil.....	2011	Lima	Owned	14,297	33	95%
Huánuco.....	2012	Huánuco	Groundlease	28,451	72	89%
Piura.....	2013	Piura	Owned	45,493	107	89%
Cajamarca.....	2013	Cajamarca	Owned	34,998	48	70%
Cusco.....	2013	Cusco	Groundlease	38,194	105	88%
Salaverry.....	2014	Lima	Groundlease	71,936	170	-
<b>Total Commercial Properties</b>				<b>495,533</b>	<b>1,260</b>	
<b><u>Related Party Malls</u></b>						
Centro Cívico.....	2010	Lima	Managed	41,670	221	98%
Estación Central.....	2010	Lima	Managed	1,989	33	56%
Sullana.....	2013	Piura	Managed	14,342	11	100%
<b>Total Related Party Malls</b>				<b>58,000</b>	<b>265</b>	



Total

553,534

1,525

(1) As of May 31, 2014; includes Salaverry Mall

The following map illustrates the diversified locations of our shopping malls throughout Peru as of the date of this offering memorandum.

### Shopping Mall Locations Throughout Peru



### *First Mover Advantage*

We were the first company to open shopping malls in seven of the 12 largest cities in Peru. Being the first player entering these markets has given several advantages over other shopping mall chains, including the ability to: (1) obtain the best location, (2) gain customer loyalty and recognition, (3) capture the most popular tenants, (4) improve our bargaining power with tenants and (5) become the reference for shopping and entertainment in the city, creating a strong long-term relationship with customers. Our first-mover advantage has been critical to consolidating our solid market position throughout the country.

### **Shopping Mall Expansion and Land Acquisition**

We believe that the expansion of our existing shopping malls represents an excellent opportunity to achieve further operating and financial growth. We typically expand our more consolidated shopping malls when we believe there is new unsatisfied consumer demand. This strategy permits for relatively low-risk investments with faster income ramp-ups and higher occupancy levels. In order to capture part of this opportunity, our investment plan for 2014 to 2017 contemplates the expansion of Juliaca, Huancayo, Guardia Civil, Cusco and Trujillo and the development of two new shopping malls.

We have an option to acquire 138,562 m<sup>2</sup> of land in one of the fastest growing areas of eastern Lima. We intend to use this site to develop a shopping mall, Puruchuco, which will target the growing middle class. With 1.3 million nearby inhabitants, we expect it to be the largest shopping mall in this part of the city. Additionally, we have a long-term lease agreement for land in the northern area of Chiclayo, in which we will develop a new shopping mall.

Our shopping malls provide a large portfolio of existing premium locations and sites for future expansion. Our successful expansion track record and openings are based on a rigorous process performed by specialized teams.

Sustainable growth is organized around four key processes: site selection; investment approval; development and construction; and sales and operation.

- *Site selection:* scouting, site evaluation, analytics and negotiation.

We have an in-house specialized land bank team with over 13 years of experience in Peru. We have a team in charge of market intelligence that uses a proprietary geographical information system to provide us with extensive information about consumer demand and the potential for development in each area. We do not depend on real estate brokers for our scouting proposals activities.

- *Investment approval:* financial structuring and approval process of our projects.

We follow a rigorous process to pursue profitable investments. We have a weekly committee with senior executives, where we review land securing opportunities and mall development status.

- *Development and construction:* remediation, design and project management.

Our construction process is monitored and controlled by a project management team, allowing us to monitor the effectiveness and efficiency of the process. We outsource construction activities. One of the main challenges of this process in Peru is the lack of adequate urban planning and inconsistent regulation. To overcome these obstacles, we have an in-house specialized remediation team, allowing us to accelerate a typically slow permitting process by actively engaging with local regulators. To minimize commercial risk, we aim to have 50% of the GLA for each shopping mall leased before starting construction. For example, Real Plaza Puruchuco, our next flagship project, is already 56% leased.

- *Sales and operation:* sales, operation and marketing.

We have a commercial team that is in charge of attracting top local, regional and multinational retailers, with the goal of producing an optimal tenant mix in all our shopping malls. We aim to be recognized as the preferred partner for our tenants while maintaining the best shopping experience for consumers. The team is only in charge of selling publicity inside our shopping malls.

## **Tenants and Leasing**

### ***Lease Payment Structure***

The main source of our shopping mall revenues are lease payments from tenants. Lease payments are calculated as the maximum between a variable percentage of net sales from each store and a fixed minimum specified in the terms of the lease. The percentage of revenues upon which each store's lease payments are calculated is set forth in a lease agreement and is fixed throughout the term of the agreement. These percentages vary depending on the type of business conducted by each retailer. In addition, each tenant pays a percentage of the common area costs and shopping mall operating and marketing expenses. We monitor the performance of each store on a monthly basis in order to calculate the appropriate rent to be charged to each tenant. Approximately, 87% of the total rent paid by our tenants for the year ended December 31, 2013 was generated by a fixed rate minimum lease payment, while the remaining 13% was attributed to variable rent.

### ***Default and Collection Policy***

Our management strategy includes a stringent default and collection policy, which we believe has allowed us to consistently enjoy a low level of tenant default. In addition, we have adopted strict criteria for the selection of tenants, who are expected to meet certain minimum standards in order to qualify to lease store space in our shopping malls.

In the event of default, we immediately initiate collection proceedings involving administrative negotiations with the tenant for payment of the outstanding amount. Once the possibility of settlement has been exhausted, we initiate eviction proceedings against the tenant in default.

We also have a cross default policy for contracts held by the same tenant, which reduces the likelihood that a tenant may default only on specific locations.

### ***Tenant Mix***

We categorize our tenants into three groups: anchor stores, medium stores and small stores.

- (I) Anchor stores typically lease 60% - 80% of the GLA in our shopping malls and sign long-term leases of 17 to 30 years. Monthly rents under these leases are equal to the greater of (i) a fixed amount, which ranges from approximately US\$6.00/m<sup>2</sup> to US\$10.00/m<sup>2</sup>; or (ii) a variable amount determined as a percentage of monthly net sales of tenants, which ranges from 2.0% to 3.5%. Anchor tenants include stores owned by our affiliates, such as Plaza Vea (a supermarket store chain), Oechsle (a department store chain), Promart (a home improvement chain) and Cineplanet (a movie theatre chain), as well as other leading unrelated retailers like Saga Falabella and Ripley. These retailers are recognized for their high quality service and products, and help increase consumer traffic. The early commitment of these stores to our shopping mall developments allows us to create a complete portfolio of retail tenants that, in turn, allows us to attract other retailers seeking an optimal tenant mix. This traffic also improves our ability to secure financing for our projects. Furthermore, we have developed commercial synergies with tenants such as shared promotions, which help us ensure traffic and gain customer loyalty.
- (II) Medium stores typically lease 10% - 20% of the GLA in our shopping malls and sign medium term leases of 5 to 10 years. Monthly rents under these leases are equal to the greater of (i) a fixed amount, which ranges from approximately US\$25.00/m<sup>2</sup> to US\$40.00/m<sup>2</sup>; or (ii) a variable amount determined as a percentage of monthly net sales of tenants, which ranges from 4.0% to 8.0%. Medium stores are typically strategic and global brands, electronics stores, fast fashion stores and restaurants, such as Zara, Banana Republic, Forever 21, Gap, Mango or the Nike store. The advantages of having strong anchor tenants make us a preferred business partner for medium stores who are looking for locations with a high rate of customer traffic. Moreover, these tenants also prefer us because they have the opportunity to expand faster through our large shopping mall chain and through our future openings.
- (III) Small stores typically lease 10% - 30% of the GLA in our shopping malls through short-term leases of 3 to 5 years. Monthly rents under these leases are equal to the greater of (i) a fixed amount, which ranges from approximately US\$25.00/m<sup>2</sup> to US\$60.00/m<sup>2</sup>; or (ii) a variable amount determined as a percentage of monthly net sales of tenants, which ranges from 8.0% to 9.0%. These tenants are important to complete our optimal tenant mix.

We seek to offer a broad range of services in our shopping malls to increase the number of visitors and tenant's sales volume, thereby maximizing their profits and strengthening our relationships with them. To that end, we prepare an annual strategic plan for each shopping mall, which takes into account growth factors such as the state of the Peruvian economy, the location of the shopping mall, competition, population and market opportunities, among other things. As part of this strategic plan, we identify and improve stores in our shopping malls with potential for growth, in order to ensure that our shopping malls continue to generate significant traffic. Tenants are in turn provided with advice with respect to renovations or locale changes and other measures to improve their performance.

When determining the optimal tenant mix for our shopping malls, our leasing strategy considers various customer centric factors such as local market knowledge in terms of purchasing habits and consumption capacity through our in-house proprietary geographical information system. Additionally, our deep understanding of tenants' performance and our strong relationship with them allows us to optimize tenant mix design in our projects.

We pass through fees for utilities, security and maintenance services to our tenants. We collect these fees in conjunction with rental payments and disburse them for collective services for each mall.

Our shopping malls typically have a very high occupancy rate. As of March 31, 2014, our average occupancy rate was 93%.

## Properties

As of March 31, 2014, we owned or leased on a long-term basis 15 shopping malls, which cover a total area of 425,257 m<sup>2</sup> of property throughout 11 cities in Peru. In addition, we manage 3 properties for related parties, for which we only collect a management fee.

In the following section we present the highlights of all of our owned shopping malls.

### *Primavera*

Primavera began operations in 2001 and is located in the City of Lima. This shopping mall has two department stores, Oechsle and Ripley, with lease agreements for 17 and 30 years, respectively. In addition, Primavera has two more anchor stores: a movie theater, Cineplanet, with a 20-year lease agreement, and a Metro hypermarket connected to our mall with a 30-year lease agreement. Anchor stores represent 67.1% of GLA as of December 31, 2013 and generated 39.2% of 2013 rental income earned by the shopping mall.

The following table shows information regarding the Primavera shopping mall as of March 31, 2014:

Land Area (m <sup>2</sup> ) .....	27,962
Total GLA (m <sup>2</sup> ) .....	34,504
Leased contracts .....	109
Estimated Average Number of Visitors per Month .....	900,000
Tenant sales 2013 (S/. millions) .....	S/285.5
Tenant sales growth (2012/2013) .....	(2.4)%
Gross profit 2013 (S/. millions) .....	21.9
Annualized fixed rent 2014 (S/. millions) <sup>(1)</sup> .....	15.2

(1) Annualized fixed rental income is calculated by annualizing the fixed rental income from tenants for the three months ending March 31, 2014 based on existing signed contracts with tenants.

### *Chiclayo*

Chiclayo began operations in 2006. It is located in the city of Chiclayo, one of the main cities on Peru's northern coast. This shopping mall has five anchor stores: Plaza Vea, Oechsle and Saga Fallabella with 30-year lease agreements each; Promart and Cineplanet with 20-year lease agreements each. The anchor stores represented 72.7% of the GLA as of December 31, 2013 and 39.8% of the total rental income in 2013.

The following table shows information regarding the Chiclayo shopping mall as of March 31, 2014:

Land Area (m <sup>2</sup> ) .....	63,112
Total GLA (m <sup>2</sup> ) .....	44,664
Leased contracts .....	132
Estimated Average Number of Visitors per Month .....	1,000,000
Tenant sales 2013 (S/. millions) .....	319.2
Tenant sales growth (2012/2013) .....	20.0%
Gross profit 2013 (S/. millions) .....	18.6
Annualized fixed rent 2014 (S/. millions) <sup>(1)</sup> .....	17.3

(1) Annualized fixed rental income is calculated by annualizing the fixed rental income from tenants for the three months ending March 31, 2014 based on existing signed contracts with tenants.

### *Huancayo*

Huancayo began operations in 2009. It is located in the city of Huancayo, the most commercially active city in the central highlands. The shopping mall is the only one in Huancayo and there are few competing retail stores. This shopping mall has four anchor stores: Oechsle, Plaza Vea, Ripley and Cineplanet, with lease agreements of 20, 30, 25 and 10 years, respectively. These stores represent nearly 73.8% of the total GLA as of December 31, 2013 and in 2013, generated 42.4% of the total rental income for the shopping mall.

The following table shows information regarding the Huancayo shopping mall as of March 31, 2014:

Land Area .....	40,609
Total GLA (m <sup>2</sup> ) .....	32,536
Leased contracts .....	84
Estimated Average Number of Visitors per Month .....	890,000
Tenant sales 2013 (S/.MM) .....	234.4
Tenant sales growth (2012/2013) .....	22.0%
Gross profit 2013 (S/. millions) .....	14.4
Annualized fixed rent 2014 (S/. millions) <sup>(1)</sup> .....	13.3

(1) Annualized fixed rental income is calculated by annualizing the fixed rental income from tenants for the three months ending March 31, 2014 based on existing signed contracts with tenants.

### ***Trujillo***

Trujillo began operations in 2007. It is located in Trujillo, one of the main cities on Peru's northern coast. This shopping mall has four anchor stores: Oechsle and Promart, with 20-year lease agreements each, and Plaza Veá and Cineplanet, with 30-year lease agreements each. The anchor stores represented 60.4 % of the total GLA as of December 31, 2013 and 43.5 % of the total rental income in 2013.

The following table shows information regarding the Trujillo shopping mall as of March 31, 2014:

Land Area (m <sup>2</sup> ) .....	81,273
Total GLA (m <sup>2</sup> ) .....	38,573
Leased contracts .....	78
Estimated Average Number of Visitors per Month .....	780,000
Tenant sales 2013 (S/. millions) .....	254.1
Tenant sales growth (2012/2013) .....	17.0%
Gross profit 2013 (S/. millions) .....	12.0
Annualized fixed rent 2014 (S/. millions) <sup>(1)</sup> .....	12.3

(1) Annualized fixed rental income is calculated by annualizing the fixed rental income from tenants for the three months ending March 31, 2014 based on existing signed contracts with tenants.

### ***Juliaca***

Juliaca began operations in 2011. It is located in the train station of Juliaca, a city located in Southern Peru. This shopping mall has four anchor stores: Oechsle, Plaza Veá, Promart and Cineplanet, with lease agreements of 20, 10, 25 and 30 years, respectively. Ripley is currently under construction. The anchor stores represented 71.7% of the total GLA and 41.5% as of December 31, 2013 of the total rental income in 2013.

The following table shows information regarding the Juliaca shopping mall as of March 31, 2014:

Land Area (m <sup>2</sup> ) .....	48,000
Total GLA (m <sup>2</sup> ) .....	25,134
Leased contracts .....	88
Estimated Average Number of Visitors per Month .....	1,100,000
Tenant sales 2013 (S/. millions) .....	185.0
Tenant sales growth (2012/2013) .....	67.9%
Gross profit 2013 (S/. millions) .....	11.2
Annualized fixed rent 2014 (S/. millions) <sup>(1)</sup> .....	9.2

(1) Annualized fixed rental income is calculated by annualizing the fixed rental income from tenants for the three months ending March 31, 2014 based on existing signed contracts with tenants.

### ***Arequipa***

Arequipa began operations in 2010. It is located in Arequipa, the second largest city in Peru. This shopping mall has three anchor stores: Oechsle, Plaza Vea and Cineplanet, each with 30-year lease agreements. The anchor stores represented 61.1% of the total GLA as of December 31, 2013 and 37.7% of total rental income in 2013.

The following table sets forth information regarding the Arequipa shopping mall as of March 31, 2014:

Land Area (m <sup>2</sup> ).....	15,126
Total GLA (m <sup>2</sup> ) .....	25,642
Leased Contracts.....	90
Estimated Average Number of Visitors per Month .....	560,000
Tenant sales 2013 (S/. millions) .....	174.9
Tenant sales growth (2012/2013) .....	7.2%
Gross profit 2013 (S/. millions).....	11.3
Annualized fixed rent 2014 (S/. millions) <sup>(1)</sup> .....	11.0

(1) Annualized fixed rental income is calculated by annualizing the fixed rental income from tenants for the three months ending March 31, 2014 based on existing signed contracts with tenants.

### ***Piura***

Piura began operations in 2013. It is located in the city of Piura, one of the main cities on Peru's northern coast. This shopping mall has five anchor stores: Ripley, with a 25-year lease agreement, Oechsle and Cineplanet, both with 30-year lease agreements and Plaza Vea and Promart with 32-year lease agreements each. The anchor stores represented 75.2% of the total GLA as of December 31, 2013 and 52.6% of the total rental income in 2013.

The following table shows information regarding the Piura shopping mall as of March 31, 2014:

Land Area (m <sup>2</sup> ).....	90,039
Total GLA (m <sup>2</sup> ) .....	45,493
Leased contracts .....	107
Estimated Average Number of Visitors per Month .....	540,000
Tenant sales 2013 (S/. millions) .....	176.5
Tenant sales growth (2012/2013) .....	182.0%
Gross profit 2013 (S/. millions).....	11.2
Annualized fixed rent 2014 (S/. millions) <sup>(1)</sup> .....	13.4

(1) Annualized fixed rental income is calculated by annualizing the fixed rental income from tenants for the three months ending March 31, 2014 based on existing signed contracts with tenants.

### **Pro**

Pro began operations in 2008. It is located in the north of Lima. This shopping mall has three anchor stores: Plaza Vea, Promart and Cineplanet, all of them with 30-year lease agreements. The anchor stores represented 82.2% of the total GLA as of December 31, 2013 and 36.6% of the total rental income in 2013.

The following table shows information regarding the Pro shopping mall as of March 31, 2014:

Land Area (m <sup>2</sup> ) .....	31,719
Total GLA (m <sup>2</sup> ) .....	21,912
Leased contracts .....	56
Estimated Average Number of Visitors per Month .....	400,000
Tenant sales 2013 (S/. millions) .....	136.4
Tenant sales growth (2012/2013) .....	27.6%
Gross profit 2013 (S/. millions) .....	8.7
Annualized fixed rent 2014 (S/. millions) <sup>(1)</sup> .....	8.2

(1) Annualized fixed rental income is calculated by annualizing the fixed rental income from tenants for the three months ending March 31, 2014 based on existing signed contracts with tenants.

### **Santa Clara**

Santa Clara began operations in 2009. It is located in the district of Ate, Department of Lima. This shopping mall has three anchor stores: Plaza Vea, Promart and Cineplanet, with lease agreements of 10, 30 and 10 years, respectively. These anchor stores represent 80.5% of the total GLA as of December 31, 2013 and 37.5% of the total rental income for 2013.

The following table shows information regarding the Santa Clara Shopping mall as of March 31, 2014:

Land Area (m <sup>2</sup> ) .....	40,113
Total GLA (m <sup>2</sup> ) .....	21,705
Leased contracts .....	73
Estimated Average Number of Visitors per Month .....	570,000
Tenant sales 2013 (S/. millions) .....	168.3
Tenant sales growth (2012/2013) .....	26.5%
Gross profit 2013 (S/. millions) .....	8.8
Annualized fixed rent 2014 (S/. millions) <sup>(1)</sup> .....	8.1

(1) Annualized fixed rental income is calculated by annualizing the fixed rental income from tenants for the three months ending March 31, 2014 based on existing signed contracts with tenants.

### ***Huánuco***

Huánuco began operations in 2012. It is located in the city of Huánuco, in the central part of Peru. This shopping mall has four anchor stores: Oechsle, Plaza Vea, Promart and Cineplanet, with lease agreements of 20, 20, 30 and 20 years, respectively. The anchor stores represented 68.9% of the total GLA as of December 31, 2013 and 41.2% of the total rental income in 2013.

The following table sets forth information regarding the Huánuco shopping mall as of March 31, 2014:

Land Area (m <sup>2</sup> ) .....	37,976
Total GLA (m <sup>2</sup> ) .....	28,451
Leased contracts .....	72
Estimated Average Number of Visitors per Month .....	360,000
Tenant sales 2013 (S/. millions) .....	102.9
Gross profit 2013 (S/. millions) .....	6.2
Annualized fixed rent 2014 (S/. millions) <sup>(1)</sup> .....	10.4

(1) Annualized fixed rental income is calculated by annualizing the fixed rental income from tenants for the three months ending March 31, 2014 based on existing signed contracts with tenants.

### ***Guardia Civil***

Guardia Civil began operations in 2011. It is located in the Chorrillos District in the city of Lima. This shopping mall has two anchor stores: Plaza Vea and Promart, with 30-year lease agreements each. The anchor stores represented 85.9% of the total GLA as of December 31, 2013 and 64.3% of the total rental income in 2013.

The following table sets forth information regarding the Guardia Civil shopping mall as of March 31, 2014:

Land Area (m <sup>2</sup> ) .....	20,605
Total GLA (m <sup>2</sup> ) .....	14,297
Leased contracts .....	33
Estimated Average Number of Visitors per Month .....	70,000
Tenant sales 2013 (S/. millions) .....	83.4
Tenant sales growth (2012/2013) .....	25.1%
Gross profit 2013 (S/. millions) .....	3.7
Annualized fixed rent 2014 (S/. millions) <sup>(1)</sup> .....	4.0

(1) Annualized fixed rental income is calculated by annualizing the fixed rental income from tenants for the three months ending March 31, 2014 based on existing signed contracts with tenants.

### ***Nuevo Chimbote***

Nuevo Chimbote started operations in 2010. It is located in the city of Chimbote, Department of Ancash. This shopping mall has one anchor store, a Plaza Vea with a 30-year lease agreement, which represents almost 68.0% of the total GLA as of December 31, 2013 and 32.6% of the total rental income in 2013.

The following table shows information regarding the Nuevo Chimbote shopping mall as of March 31, 2014:

Land Area (m <sup>2</sup> ) .....	76,954
Total GLA (m <sup>2</sup> ) .....	5,783
Leased contracts .....	12
Estimated Average Number of Visitors per Month .....	31,000
Tenant sales 2013 (S/. millions) .....	22.7
Tenant sales growth (2012/2013) .....	(6.7)%
Gross profit 2013 (S/. millions) .....	0.9
Annualized fixed rent 2014 (S/. millions) <sup>(1)</sup> .....	0.7

(1) Annualized fixed rental income is calculated by annualizing the fixed rental income from tenants for the three months ending March 31, 2014 based on existing signed contracts with tenants.



### ***Cusco***

Cusco began operations in December 2013. Five percent of the certificates of participation in this shopping mall are owned by Mr. Carlos Miguel Salinas Rojas. It is located in Cusco, the most important tourist city in Peru. This shopping mall has four anchor stores: Oechsle, Plaza Vea, Promart and Cineplanet, each with 30-year lease agreements. The anchor stores represented 64.5% of the total GLA as of December 31, 2013 and 40.0% of the total rental income in 2013.

Cusco has been in operation for less than one year. The following table sets forth information regarding the Cusco shopping mall as of March 31, 2014:

Land Area .....	58,080
Total GLA (m <sup>2</sup> ) .....	38,194
Leased contracts .....	105
Annualized fixed rent 2014 (S/. millions) <sup>(1)</sup> .....	15.0

(1) Annualized fixed rental income is calculated by annualizing the fixed rental income from tenants for the three months ending March 31, 2014 based on existing signed contracts with tenants.

### ***Cajamarca***

Cajamarca began operations in December 2013. It is located in Cajamarca, one of Peru's most important mining cities. This shopping mall has five anchor stores: Oechsle, Plaza Vea, Promart and Cineplanet, with 30-year lease agreements each and Ripley with a 25-year lease agreement. The anchor stores represented 60.8% of the total GLA as of December 31, 2013.

Cajamarca has been in operation for less than one year. The following table sets forth information regarding the Cajamarca shopping mall as of March 31, 2014:

Land Area .....	29,734
Total GLA (m <sup>2</sup> ) .....	34,998
Leased contracts .....	48
Annualized fixed rent 2014 (S/. millions) <sup>(1)</sup> .....	2.5

(1) Annualized fixed rental income is calculated by annualizing the fixed rental income from tenants for the three months ending March 31, 2014 based on existing signed contracts with tenants.

### ***Salaverry***

Salaverry started operations in May 2014. It is located in Jesús María District, City of Lima. This shopping mall has six anchor stores: Oechsle, Plaza Vea, Promart, and Cineplanet, with 30-year lease agreements each; Ripley with a 25-year lease agreement and Saga Falabella with a 35-year lease agreement.

The following table sets forth information regarding the Salaverry shopping mall as of the date of this offering memorandum:

Land Area .....	29,159
Total GLA (m <sup>2</sup> ) .....	71,936
Leased contracts .....	170
Annualized fixed rent 2014 (S/. millions) <sup>(1)</sup> .....	38.2

(1) Salaverry annualized fixed rental income reflects the next twelve months' fixed rental income from existing signed contracts with tenants as of March 31, 2014.

### ***Tiendas Jirón de la Union***

This property began operations in December 2010. It is located in downtown Lima. This shopping mall has two anchor stores: Plaza Vea and Oechsle with 30-year lease agreements which represent 99.4% of the total GLA as of December 31, 2013.

The following table shows information regarding the Tiendas Jirón de la Union as of March 31, 2014:

Land Area .....	3,664
Total GLA (m <sup>2</sup> ) .....	11,712
Leased contracts .....	3
Tenant sales 2013 (S/. millions) .....	57.0
Tenant sales growth (2012/2013) .....	5.4 %
Gross profit 2013 (S/. millions) .....	2.1
Annualized fixed rent 2014 (S/. millions) <sup>(1)</sup> .....	2.3

(1) Annualized fixed rental income is calculated by annualizing the fixed rental income from tenants for the three months ending March 31, 2014 based on existing signed contracts with tenants.

### **Expansion and Development Plan 2014-2017**

Between 2012 and June 2014, we have significantly expanded our GLA. We have also been studying new sources of future growth for us and have laid out specific expansion plans for the coming three years. Our current business plan considers two specific sources of growth: (i) expansion of existing malls we currently operate and (ii) development of new properties where we have already secured landbank.

Our strategy to improve operating and financial growth, increase consumer traffic and meet unsatisfied demand is the expansion of existing shopping malls. We usually expand our existing shopping malls by adding key tenants such as department stores or other high profile tenants which increase the product offerings and improves the shopping experience of our visitors. We view mall expansions to be low risk capital expenditures considering our track-record operating the mall and the fact that we usually have pre-leased tenants for the expansion area.

Our investment plan for 2014 to 2017 contemplates the expansion of four shopping malls which are already in operation and the construction of two new shopping malls, one in the city of Lima and the other one in the northern region of Peru. We currently own 551,924 m<sup>2</sup> of land bank and 67,077 m<sup>2</sup> of expansion areas throughout Peru that are available for future projects. In the following paragraphs, we describe in further detail our two largest expansion projects in our current business plan:

#### ***Puruchuco Development***

Puruchuco will be our next flagship mall and we expect it to be just as important to our franchise as Salaverry, which recently opened in May 2014. We expect Puruchuco to become the most important shopping mall in the eastern part of Lima, a densely populated area that has been experiencing rapid growth. We estimate that Puruchuco will attract a region of influence of approximately 650,000 people. This project will further consolidate our presence as the leading shopping mall operator in Lima and Peru more broadly and differentiate ourselves from our direct competitors, with what we expect will be the largest mall in the country. Puruchuco is expected to open in 2016 with a total GLA of 100,638 m<sup>2</sup>.

#### ***North Chiclayo Shopping Mall***

We plan to develop a new shopping mall in the north of Chiclayo, an important city in Peru's northern coast. This project will be developed in two phases over a period of three years. North Chiclayo will be located among an emerging socioeconomic middle-class with high growth potential. The first phase of the shopping mall consists of the construction of two anchor stores, a supermarket and home improvement store, with GLA's of 5,867 m<sup>2</sup> and 6,366 m<sup>2</sup>, respectively. This first phase is expected to be operational in 2015.

We plan to develop the shopping mall's second phase to add new GLA of approximately 31,054 m<sup>2</sup>. This phase will include a movie theater with GLA of 3,003 m<sup>2</sup> and two department stores for a total GLA of 13,119 m<sup>2</sup>. Additionally, to improve the tenant mix design, we intend to open medium-sized stores, small-sized stores and restaurants with GLAs of 1,446 m<sup>2</sup>, 8,581 m<sup>2</sup> and 2,066 m<sup>2</sup>, respectively. Moreover, we intend to construct other store spaces to complete the offer. We plan to add a gym with GLA of 883 m<sup>2</sup>, as well as a service zone, amusement zone and food court with GLAs of 705 m<sup>2</sup>, 585 m<sup>2</sup> and 666 m<sup>2</sup> respectively. We estimate we will complete this expansion in November 2017.

The table below sets forth the land and areas owned by us that are available for future projects:

	<b>Location</b>	<b>Land Area (m<sup>2</sup>)</b>
<b><u>Land Bank</u></b>		
Location 1 .....	Central Peru	11,337
Puruchuco <sup>(1)</sup> .....	Lima	138,562
Location 2 .....	Central Peru	57,542
North Chiclayo .....	Lambayeque	44,072
Location 3 .....	Lima	41,200
Location 4 .....	Eastern Peru	29,213
Location 5 .....	Lima	21,481
Location 6 .....	Lima	14,064
Location 7 .....	Lima	11,124
Location 8 .....	Central Peru	529
<b>Total Landbank</b> .....		<b>369,124</b>
<b><u>Expansion Area</u></b>		
Existing Mall 1 .....	Northern Peru	27,826
Existing Mall 2 .....	Southern Peru	17,000
Existing Mall 3 .....	Central Peru	7,887
Existing Mall 4 .....	Southern Peru	6,500
Existing Mall 5 .....	Lima	4,364
Existing Mall 6 .....	Lima	3,500
<b>Total expansion area</b> .....		<b>67,077</b>
<b>Total landbank and expansion area</b> .....		<b>436,201</b>

(1) To be purchased from Interseguro. See "Use of Proceeds."

## **Competition**

We operate in a highly competitive industry. We face direct competition in terms of, among other things, land cost, location, rental rates, marketing and services provided to customers and tenants. For information on our competitive position, see "Industry."

## **Regulation**

The shopping mall industry in Peru is subject to national and local regulations. We believe that we are in compliance with all material regulatory requirements applicable to our shopping malls, including requirements regarding the zoning of locations, permits for construction and development and maintenance and environmental standards.

## **Employees**

As of March 31, 2014, we had 402 employees. None are unionized. We believe that our relationships with these employees are satisfactory.

## **Information Management Systems**

Our information management systems include our communication infrastructure, logistics system and general financial and sales performance reports. These systems have backup data-processing systems that could be used in the event of a catastrophe or a failure of our primary systems.

## Intellectual Property

We own the material trademark and trade name rights used in connection with our brands and the marketing and sale of our products, which include Real Plaza and others. We protect our trademarks and trade names by exercising our rights under applicable trademark and copyright laws.

## Insurance

We maintain insurance policies that provide coverage for the risks inherent in our business and associated with our owned and leased properties. These insurance policies typically exclude certain risks and are subject to certain thresholds and limits. We renew our insurance policies on an annual basis. We believe our insurance policies are adequate to meet our needs.

## Legal Proceedings

We are a party to certain legal and administrative proceedings relating to tax claims and civil liability. None of these proceedings have a probable risk of loss according to our external legal counsels handling such matters.

Set forth below is a brief description of the most significant legal proceedings to which we are party as of the date of this offering memorandum.

### *Interproperties Peru*

- Interproperties Peru is a claimant in a proceeding against the Tax Administration Authority of the region of Piura (“SAT Piura”) whereby Interproperties Peru claims that SAT Piura miscalculated the amount of municipal tax payable on certain previous transfers of Interproperties Peru’s property in Piura. We believe Interproperties Peru’s claim against SAT Piura has merit and it awaits review by the Supervisor’s Office of SAT Piura. The amount of the claim is S/2,308,666.65.
- Interproperties Peru has filed an appeal for legal protection (*accion de amparo*) against the Peruvian Tax Authority (*Superintendencia Nacional de Administración Tributaria* or “SUNAT”) for the release of the sum of S/7,934,746.00 deposited in the drawdown account (*cuenta de detracciones*) of Interproperties Peru that has been retained by SUNAT. SUNAT retained the existing funds in Interproperties Peru’s drawdown account in response to a minor technical violation that has already been remediated. The appeal for legal protection was filed in January of 2014 and oral hearings took place on June 10, 2014. We believe the claim raised by Interproperties Peru has merit.
- Interproperties Peru is the titleholder of a surface right to a property of 10,000 m<sup>2</sup> adjacent to Huancayo, granted in its favor by Ferrovías Central Andina S.A. (“Ferrovías”), who owns the land. Such property was occupied by 175 families with no rights over the land. As a consequence of the occupation of the property, Ferrovías filed several eviction actions to evict these families. Ferrovías has managed to evict 150 families and recover and transfer to Interproperties Peru over 50% of the use rights to the property. All but one of the families, which occupies approximately 60m<sup>2</sup>, should be evicted during June or July of 2014, as Ferrovías has already obtained a final judgment in its favor. The last family with an ongoing eviction process has shown interest in reaching an out-of-court settlement with Ferrovías in order to leave the final 60 m<sup>2</sup> of the property.

### *Real Plaza*

- Urbi Propiedades S.A. (“Urbi”) is a defendant in an action brought in October of 2011 before a Peruvian civil court by the *Asociación de Productores de Huánuco* “Eben Ezer” (“Eben Ezer”) contesting the validity of a surface use right to property owned by the Provincial Municipality of Huánuco (the “Municipality”) allegedly granted by the Municipality to Urbi. The validity of these rights is at issue due to potentially conflicting zoning regulations. Interproperties Peru is involved as a third-party defendant as Urbi assigned its rights to use the real property to Interproperties Peru. We believe the action is unlikely to be ruled in favor of Eben Ezer.

- Urbi is a defendant in an appeal for legal protection action (*accion de amparo*) brought in October of 2011 by the Huánuco Chamber of Commerce, protesting the development of the new mall to be built in Huánuco. The Huánuco Chamber of Commerce claims that the new project violates certain constitutional rights. Interproperties Peru is involved as a third-party defendant as Urbi assigned its rights to use the real property to Interproperties Peru. We believe it is unlikely the Huánuco Chamber of Commerce will receive a favorable ruling.
  
- Interseguro is a third-party defendant in an action brought in 2008 before a Peruvian civil court against the Provincial Municipality of Huancayo by Asociación Ferroviaria Pro Vivienda Virgen de Cocharcas (“AFEVICO”). AFEVICO has contested the validity of administrative acts in which the Municipality issued certain permits to build Huancayo, alleging that Huancayo was built on a national cultural heritage site. The process is still in its early stages, but we believe that it is highly unlikely that the Peruvian civil court will rule in favor of AFEVICO. Interseguro assigned its contractual position on the ground lease agreement with Ferrovias Central Andina to Interproperties Peru, where Interproperties Peru built Huancayo.

## DESCRIPTION OF THE ISSUER

### Establishment of the Issuer

The Issuer is a Peruvian trust (*fideicomiso de titulización*) established and existing pursuant to Peruvian law under the trust deed (*Escritura Pública del Acto Constitutivo de Fideicomiso de Titulización y Programa de Emisión de Certificados de Participación*, or the “Trust Deed”) entered into on May 22, 2014 by and among (i) InRetail RE, as initial settlor (the “Initial Settlor”), and (ii) the ISM Trustee. The Issuer was established for a term of 99 years following the date of execution of the Trust Deed. Certificates of participation of the Issuer are 100% held by InRetail RE.

### Issuer Assets and Certificates of Participation

Under the LMV (*Ley de Mercado de Valores*), whose uniform ordered text is approved by the Supreme Decree N° 093-2002-EF, as amended, and the Secondary Rules on Securitization approved by the Resolución CONASEV N° 0001-1997, as amended (the “Rules”), a Peruvian trust (*fideicomiso de titulización*), including the Issuer and all of the subsidiaries that are trusts, is established by one or more initial settlor(s) that agree(s) to transfer in trust a group of assets to a trustee for the creation of a trust estate, which acts through such trustee, and guarantees payments pursuant to the rights granted in favor of the holders of the instruments issued by a Peruvian trust (*fideicomiso de titulización*). The holders of debt instruments issued by a Peruvian trust (*fideicomiso de titulización*) are deemed beneficiaries of the trust, and their consent is required in order to approve any amendments to the corresponding Peruvian trust deed if such amendments affect their rights as creditors of the Peruvian trust (*fideicomiso de titulización*).

Pursuant to the Trust Deed, the Initial Settlor transferred in trust to the Issuer (i) 100% of the certificates of participation issued by Interproperties Holding and Interproperties Holding II, which indirectly represent rights to receive distributions from Interproperties Peru and PF IPDS derived from our shopping malls business; and (ii) the participations representing 99.99% of the equity interests of Real Plaza and of InRetail Properties. In consideration for such transfers, the Initial Settlor received 100% of the certificates of participation issued by the Issuer (the “Participation Certificates”) representing equity interests in such Peruvian trust (*fideicomiso de titulización*).

According to the terms and conditions expressly established in the Trust Deed, Interproperties Shopping Malls is authorized to issue debt instruments, such as bonds or notes, as well as participation instruments, such as certificates of participation.

The Participation Certificates are represented by physical certificates and are freely transferrable instruments, in accordance with the LMV, the Rules and all other applicable regulations in force in the Republic of Peru. Any parties that subsequently acquire the Participation Certificates are deemed trust beneficiaries of the Peruvian trust (the “Trust Beneficiaries”).

### The Participants’ Meetings of the Issuer

The Participants’ Meetings (*Asamblea General de Fideicomisarios*) of the Issuer are held by the holders of the certificates of participation and constitute the highest-level decision making body of the Issuer.

The powers of the Participants’ Meetings include the authority to: (i) approve of the sale of assets that represent more than 50% of the net worth of the Issuer; (ii) remove or accept the resignation of the ISM Trustee and designate its replacement; (iii) remove the members of the Administration Committee and designate their respective replacements; (iv) approve the Issuer’s budget prepared by the ISM Trustee; (v) determine whether a material adverse effect affecting the Issuer has occurred and thus declare the termination of the Peruvian trust (*fideicomiso de titulización*), initiating its liquidation; and, (vi) request information from the ISM Trustee and the Administration Committee regarding the status of the Issuer.

## Management of the Issuer

In compliance with the provisions of the LMV and the Rules, a Peruvian trust acts through a trustee, who in turn appoints a fiduciary agent (*factor fiduciario*). In addition, an administration committee or similar body may be appointed to direct the acts of the fiduciary agent.

Pursuant to the Trust Deed, the Issuer is directed by fiduciary agents appointed by the ISM Trustee, as well as an Administration Committee composed of a minimum of three and a maximum of ten members appointed by the Participants' Meetings in accordance with the terms of the Trust Deed. See "Management" for information regarding the members of the Administration Committee. The principal function of the Administration Committee is the management of the Issuer, including making investment decisions on behalf of the Issuer.

The powers of the Administration Committee include the authority to: (i) approve the terms and conditions for the engagement of advisors and suppliers, including construction and supervision companies; (ii) approve the design, plans, blueprints, specifications, economic models and, in general, each and every term and condition related to the real estate projects to be developed; (iii) approve investments and investment policies; (iv) in each opportunity that the development of a new project or new investments is approved, determine the quantity, class and nature of the assets needed to be contributed to the Issuer for the execution and development of such projects and investments; (v) approve a business plan; (vi) approve any guarantee, lien or encumbrance over the assets of the Issuer granted to secure the obligations of third parties; (vii) notify the holders of certificates of participation of any event that may qualify as a material adverse effect under the Trust Deed; (viii) determine the number, nominal value and approve the issuance of new certificates of participation; (ix) approve the issuance of any type of debt instruments, including guaranteed bonds or notes, to be offered in a local and/or an international public or private offering, and the terms and conditions under which such instruments would be issued, without any restriction, limitation or exception; (x) determine whether to enter into any type of credit or finance agreements with local or international banks and/or finance entities, as well as lease agreements and any type of credit documents; (xi) determine whether to encumber the assets of the Issuer with any type of liens, encumbrances, pledges, mortgages and other liens; and (xii) execute any type of contracts and agreements.

## Interproperties Perú

Interproperties Perú is a Peruvian trust (*fideicomiso de titulización*) that has issued, through the Trustee, 17 classes of certificates of participation. Each class represents certain rights (ownership, ground leases, etc.) to a specific project (real property or group of properties and/or assets transferred in trust to Interproperties Perú). Classes 1 and 2 are inoperatives. Interproperties Holding owns 100% of the certificates of participation of nine other classes. Interproperties Holding II owns 100% of the certificates of participation of three other classes. As of today, there are three classes whose certificates of participation belong to third parties (Interseguro Compañía de Seguros S.A. and Inteligo Real Estate Peru S.A.C).

In accordance with the Trust Deed ("*Acto Constitutivo de Fideicomiso de Titulización y Programa de Emisión de Certificados de Participación*"), dated April 23, 2008, as amended by four Adendas under Public Deeds dated September 2, 2009, September 24, 2009, October 25, 2010 and November 2, 2011, respectively, the participants on such Trust are represented in general at the Participants' Meeting ("*Asamblea General de Fideicomisarios*"), and the Participants holding a class of certificates of participation are represented in Specific Participant Meetings ("*Asambleas Especiales de Fideicomisarios*").

The Participants' Meetings of Interproperties Perú are held by the holders of the certificates of participation and constitute the highest-level decision making body of Interproperties Perú.

The powers of the Participants' Meetings include the authority to: (i) approve of the sale of assets that represent more than 50% of the net worth of Interproperties Perú; (ii) remove or accept the resignation of the Trustee, and designate its replacement; (iii) remove the members of the Administration Committee, and designate their respective replacements; (iv) approve Interproperties Perú's budget and financial statements prepared by the Trustee; (v) determine whether a material adverse effect affecting the Issuer has occurred and thus, declare the termination of the Peruvian trust, initiating its liquidation; (vi) approve the financing and other indebtedness of Interproperties Perú; and (vii) request information from the Trustee and the Administration Committee regarding the status of Interproperties Perú.

The powers of the Specific Participants' Meetings include the authority to: (i) approve of the sale of assets that represent more than 50% of the net worth of the specific project of Interproperties Perú that is represented by the respective class of certificates of participation represented in the Specific Participants' Meeting; (ii) approve any change or amendment that may affect the project of Interproperties Perú that is represented by the respective class of certificates of participation represented in the Specific Participants' Meeting; (iii) decide about any fact and circumstances related or that may affect the project at which is related the respective class of certificates of participation represented in the Specific Participants' Meeting; (iv) approve the transference of assets related to the class of certificates of participation represented in the Specific Participants' Meeting, to another class of certificates of participation; (v) determine whether a material adverse effect affecting the Issuer has occurred and thus, declare the termination of the Peruvian trust, initiating its liquidation; (vi) approve the financing, financial leasing and other indebtedness of Interproperties Perú, as well as the granting of guarantees on the assets or properties represented by such class of certificates of participations, related to the project represented by the respective class of certificates of participation; and (vii) request information from the Trustee and the Administration Committee regarding the status of the Issuer.

Pursuant to the Trust Deed, Interproperties Perú is directed by fiduciary agents appointed by the Trustee, as well as an Administration Committee composed of a minimum of three and a maximum of 10 members designated by the Participants' Meetings in accordance with the terms of the Trust Deed. The principal function of the Administration Committee is the management of Interproperties Perú, including making investment decisions on behalf of the Issuer.

The powers of the Administration Committee are substantially the same granted to the Administration Committee of the Issuer, as described in the "—Management of the Issuer".

#### **Standard of Care for the ISM Trustee**

The ISM Trustee shall act through the fiduciary agents it designates, as well as through its authorized agents. The initial fiduciary agents have been designated in the Trust Deed. The functions of the ISM Trustee are contemplated by and limited to the provisions set forth in the Trust Deed and, where applicable, the instructions of the Participants' Meeting and Administration Committee. Under the Trust Deed, the authority of the ISM Trustee includes the following: (i) day-to-day management powers of the Issuer in accordance with the terms and conditions of the Trust Deed and the instructions of the Participants' Meetings and the Administration Committee; (ii) maintaining the accounting for and creating the financial statements of the Issuer; (iii) the payment of any obligation assumed with third parties; (iv) management of the Issuer's bank accounts in accordance with the terms and conditions of the Trust Deed and the instructions of the Participants' Meetings and the Administration Committee; (v) payment on any indebtedness, debt instruments, financing and credit agreements; (vi) payment of distributions to the holders of the certificates of participation; (vii) execution and signature of contracts and agreements; (viii) non-voting participation in the meetings of the Administration Committee; (ix) protecting and defending the rights, maintenance and possession of the assets of the Issuer; (x) calling meetings and providing reports and information to the Participants' Meetings and the Administration Committee; and (xi) conducting the liquidation of the Peruvian trust. The ISM Trustee will act through the designated fiduciary agents.

#### **Payment of Distributions**

According to the Trust Deed, distributions to the holders of certificates of participation may be paid in accordance with the terms and conditions established in the relevant supplementary act (*acto complementario*) of the corresponding class of certificates of participation.

#### **Priority of Payments**

Under the applicable terms of the Trust Deed, the resources of the Issuer shall be applied to cover the following payments in the order of priority indicated below:

- The administrative and operating expenses derived from the activities of the Issuer, including expenses derived from commissions, whether internal or market-related, banking expenses (checks, transfer fees, etc.) and, in general, any expense related to the administration of the Issuer, as well as those taxes to be paid on



the account thereof, including, but not limited to, the payment of VAT, as well as notary expenses related to, the formalization of legal acts.

- Taxes applicable to and levied on (i) the projects and their development and the rest of the activities of the Issuer; (ii) the formalization of any instruments necessary for the transfer in trust of any asset in favor of the Issuer, depending on the nature thereof; and (iii) the costs and expenses needed for the execution and development of the corresponding project.
- The payment of fees and commissions of the ISM Trustee in connection with its services to the Issuer.
- The payment of the indebtedness obligations assumed by the Issuer, including payment of debt instruments issued by the Issuer, such as these notes.
- The expenses for holding the Issuer's Participants' Meetings.

### **Liquidation of the Issuer**

The Participants' Meeting can approve the liquidation of the Issuer if an early termination event occurs. An early termination event shall occur in the following cases:

- if a material adverse effect is approved and declared by the Participants' Meeting. For this purpose, the term "material adverse effect" is defined in the Trust Deed as any act, fact, event, action, omission or circumstance that has a material adverse effect on the economic or financial condition, operations, businesses, properties or projects of the Issuer that is caused by, among others, any act, fact, event, action, omission, circumstance or force majeure that affects the capacity of the Issuer to comply with its obligations or affects the validity, legality or enforceability of the documents related to the incorporation of the Issuer, as approved and declared by the Participants' Meeting.
- if one-third of the obligations of the Issuer become due and payable, and remain unpaid for a term of 30 calendar days.
- if accumulated losses, after deducting reserves, exceed one-third of the net worth of the Issuer.

### **Priority of Payments in a Liquidation Procedure**

If an early termination event occurs or if the term of the Issuer (99 years starting from May 22, 2014) expires, the procedure explained below must be complied within the following order:

- The Participants' Meeting shall appoint a liquidator.
- The liquidator shall prepare an inventory of the assets of the Issuer, excluding the assets that secure obligations of the Issuer or third parties.
- The liquidator shall identify the liabilities of the Issuer.
- The liquidator shall pay any liability of the Issuer with its assets, provided that any secured liability shall be paid with the proceeds of the corresponding assets, prior to unsecured liabilities.
- Any remaining assets that were contributed to the Issuer under the condition of being returned after liquidation (*con retorno*) shall be transferred by the liquidator to the applicable beneficiaries who contributed such assets.
- Any remaining assets shall be transferred in favour of the remaining beneficiaries of the trust, on a *pro rata* basis.

## Assets of the Issuer

By virtue of the Trust Deed, with Intertítulos acting as trustee, InRetail RE irrevocably transferred to InRetail Shopping Malls the following assets for the creation of the Issuer:

1. 100% of the certificates of participation of Interproperties Holding;
2. 100% of the certificates of participation of Interproperties Holding II;
3. 99.99% participation in the equity interests of Real Plaza; and
4. 99.99% participation in the equity interests of InRetail Properties.

## Interproperties Holding and Interproperties Holding II's Rights in Interproperties Peru

Interproperties Holding and Interproperties Holding II collectively own a majority participation (certificates of participation in different classes) in Interproperties Peru. The chart below describes the rights that Interproperties Holding and Interproperties Holding II have by being titleholders of certificates of participation of Interproperties Peru:

### Operating Shopping Malls

Land	Owner of the CoP	Class	File Number at Property Registry	Acquired Right	Liens/ Encumbrances	Contract Expiration
Arequipa	Interproperties Holding	4	11152880 Public Registry of Arequipa	Groundlease	N/A	10/2039
Chiclayo	Interproperties Holding II	6	11065678/11065680/11068681 Public Registry of Chiclayo	Owner	(i) Subject to Leasing with Banco de Crédito del Perú (S/. 36 million+VAT and US\$ 20million +VAT) (ii) Property registered in favor of Banco de Crédito del Perú	N/A
Huancayo	Interproperties Holding	7	02011449 Public Registry of Huancayo	Groundlease	N/A	10/2039
Trujillo	Interproperties Holding	8	11084317/11084319/11084320/11084321 Public Registry of Trujillo	Owner	Lien in favor of Norsol S.A.C.*	N/A
Santa Clara II (Altamirano)	Interproperties Holding	9	07024867 Public Registry of Lima	Owner	N/A	N/A
Nuevo Chimbote	Interproperties Holding	9	11057574 Public Registry of Chimbote	Owner	N/A	N/A
Cajamarca	Interproperties Holding	9	11121116 Public Registry of Cajamarca	Owner	N/A	N/A
Primavera Zona Centro + Sur	Interproperties Holding	10	45448894 Public Registry of Lima	Owner	N/A	N/A
Santa Clara	Interproperties Holding	11	12260410 Public Registry of Lima	Owner	I. Supermercados Peruanos S.A. (SPSA): (i) Groundlease in favor of Supermercados Peruanos S.A. (ii) Leasing with Interbank (S/. 17.736	N/A

<b>Land</b>	<b>Owner of the CoP</b>	<b>Class</b>	<b>File Number at Property Registry</b>	<b>Acquired Right</b>	<b>Liens/ Encumbrances</b>	<b>Contract Expiration</b>
					million +VAT) II. PF IPP: (i) Leasing with Interbank (S/. 836million +VAT)	
Salaverry	Interproperties Holding	12	47447349 Public Registry of Lima	Groundlease	N/A	03/2045
PRO	Interproperties Holding	13	07076422 Public Registry of Lima	Owner	N/A	N/A
Juliaca	Interproperties Holding	14	11002410 Public Registry of Juliaca	Groundlease	N/A	09/2039
Huánuco	Interproperties Holding II	15	02016676 Public Registry of Huánuco	Groundlease	N/A	06/2082
Chorrillos (Guardia Civil)	Interproperties Holding II	15	11681407 Public Registry of Lima	Owner	N/A	N/A
Piura	Interproperties Holding II	15	1108093 Public Registry of Piura	Owner	N/A	N/A
Primavera Zona Norte	Interproperties Holding II	16	45448894 Public Registry of Lima	Owner	N/A	N/A
Unión	Interproperties Holding	9	49053885 Public Registry of Lima	Owner	N/A	N/A
	Interproperties Holding	9	07014171 Public Registry of Lima	Owner	N/A	N/A

\* Within 23 years, Norsol will have a preferential option for the related acquisition of the certificates of participation.

<b>Land</b>	<b>Owner of the CoP</b>	<b>Class</b>	<b>File Number at Property Registry</b>	<b>Acquired Right</b>	<b>Liens/ Encumbrances</b>	<b>Contract Expiration</b>
Puruchuco	Interproperties Holding II	3	49086980 Public Registry of Lima	Owner	N/A	N/A
Chimbote	Interproperties Holding	9	P09000579 Public Registry of Chimbote	Owner	N/A	N/A
Cañete	Interproperties Holding	9	P03079534 Public Registry of Lima	Owner	N/A	N/A
Carabayllo	Interproperties Holding II	15	07024867 Public Registry of Lima	Owner	N/A	N/A
Zapallal	Interproperties Holding II	15	12939885 Public Registry of Lima	Owner	N/A	N/A
Carabayllo II (Reyna-Carabayllo)	Interproperties Holding II	15	P01057808 Public Registry of Lima	Owner	N/A	N/A
Tarapoto - Lot e 1 to 9	Interproperties Holding II	15	05005669; 07005296; 05009657; 11000105; 11066769; 11051937; 11051779; 11041813; 05002947 Public Registry of Tarapoto	Owner	N/A	N/A
La Curva	Interproperties	15	PO3091575 Public Registry	Groundlease	N/A	30 years from

Land	Owner of the CoP	Class	File Number at Property Registry	Acquired Right	Liens/ Encumbrances	Contract Expiration
	Holding II		of Lima			the opening of the shopping mall.
Peramás	Interproperties Holding II	15	112012382 Public Registry of Chiclayo	Groundlease	N/A	32 years + 6 months from construction license.**
Cusco López	Interproperties Holding II	16	02044653 Public Registry of Cusco	Groundlease	N/A	05/2037
Cusco Huillca	Interproperties Holding II	16	8658 Public Registry of Cusco	Groundlease	N/A	01/2037
Chacarilla	Interproperties Holding II	16	12026561; 12026562 Public Registry of Lima	Owner	N/A	N/A
Pisco	Interproperties Holding II	16	11002042 Public Registry of Pisco	Owner	N/A	N/A

\*\* Construction license pending

#### Others

Land	Owner of the CoP	Class	File Number at Property Registry	Acquired Right	Liens/ Encumbrances	Contract Expiration
San Juan de Lurigancho (Zárate)	Interproperties Holding	11	12255071 Public Registry of Lima	Owner	(i) Groundlease in favor of Supermercados Peruanos S.A. (ii) Leasing with Interbank (S/. 7.3 million +VAT)	N/A
Brasil	Interproperties Holding II	16	(i) 49054352 (ii) 11100906 Public Registry of Lima	Groundlease	N/A	09/2043

#### Interproperties Holding II's Rights in PF IPDS and IPDS

Interproperties Holding II owns 95% of the certificates of participation of PF IPDS, a trust (*fideicomiso de titulización*) organized and existing under the laws of Peru since June 2012. PF IPDS owns 99.99% of the shares of IPDS. IPDS has signed a groundlease with Arzobispado del Cusco for 60 years, over the real estate property where Cusco is located.

The chart below describes the rights that Interproperties Holding II has by being the titleholder of 95% of the certificates of participation of PF IPDS:

Land	Owner of the CoP	Class	File Number at Property Registry	Acquired Right	Liens/ Encumbrances	Contract Expiration
Cusco	Interproperties Holding II		05001042 de la Oficina Registral de Cusco	Groundlease	(i) Leaseback with Interbank ( S/. 108.3 million + VAT) (ii) Property registered in favor of Interbank.	01/06/2072**

\*\*There are two cash flow trusts regulating the flow of funds of Cusco. The first guarantees the 5% income of an individual with a minority interest, while the second guarantees payment of the property's leaseback.

## MANAGEMENT

### Board of Directors

Our board of directors is comprised of six members, two of which are independent, each of which have been appointed to three-year terms. The following table sets forth certain information with respect to the members of our board of directors. The business address of each of our directors is Carlos Villarán 140, 19th Floor, Lima 13, Peru.

Name	Position	Year of Birth	Year Appointed
Carlos Rodríguez-Pastor.....	President	1959	2012
Ramón Barúa.....	Secretary - Director	1946	2012
Juan Carlos Vallejo.....	Treasurer - Director	1964	2012
Carlos Casabonne.....	Director	1966	2013
Julio Luque.....	Director	1960	2013
Pablo Turner.....	Director	1960	2013

*Carlos Rodríguez-Pastor.* Mr. Rodríguez-Pastor has served as our President of the Board since our incorporation in 2012. He serves as Chairman of the Board of Intercorp Peru, Intercorp Financial, Interbank and Supermercados Peruanos, as well as other Intercorp Peru companies. Mr. Rodríguez-Pastor holds a bachelor's degree in Social Science from the University of California at Berkeley and a master's degree in business administration from the Amos Tuck School of Business at Dartmouth College.

*Ramon Barúa.* Mr. Barúa has served as our director since 2012. He also serves as a director and Chief Executive Officer of Intercorp Peru, and director of Intercorp Financial, Interseguro and Inteligo Bank, as well as other Intercorp Peru companies. Mr. Barúa received a degree in industrial engineering from the Universidad Nacional de Ingeniería in Lima and a degree in economics from the Université Catholique de Louvain in Belgium.

*Juan Carlos Vallejo.* Mr. Vallejo has served as our director since 2012. He also serves as the Chief Executive Officer of InRetail Peru Corp. and Supermercados Peruanos S.A. Mr. Vallejo participated in the acquisition of Supermercados Peruanos in 2003, and has been a board member since then. He actively participated in the takeover and turn-around of Supermercados Peruanos. In 2005, Mr. Vallejo launched Real Plaza, where he was Chief Executive Officer. He was also responsible for the development of Oechsle, Promart and Financiera Uno. Mr. Vallejo served as Chief Executive Officer of Interseguro from 1997 to 2011 and Deputy Chief Executive Officer of Intercorp Financial Services from 2007 to 2011. Mr. Vallejo received a bachelor's degree in industrial engineering from Universidad de Chile and a master's degree in business administration from INCAE Business School.

*Carlos Casabonne.* Mr. Casabonne has served as our director since 2013. He also serves as director and CEO of Urbi Propiedades S.A. as well as other Intercorp Peru companies. Mr. Casabonne received a degree in law from Pontificia Universidad Católica del Perú, a master's degree in Law (LL.M.) from Exeter University in the United Kingdom and a master's degree in business administration from the Wharton School at the University of Pennsylvania.

*Julio Luque.* Mr. Luque has served as our director since 2013. He also serves as director of Supermercados Peruanos and Intercorp Retail, as well as other Intercorp Peru companies. He is also a member of the Executive Committee of Real Plaza. He also serves as managing director of Métrica Inc., Chairman of Casa Andina Hotels, and director of CinePlanet, Marsh Peru, MG Rocs, Promperu, Dinot and Talma Menzies. Mr. Luque is a professor at the School of Management of the University of Piura, Peru. He holds a bachelor's degree in mechanical engineering from the Universidad Simón Bolívar, Caracas, Venezuela, and a master's degree in economics and management from IESE Business School at Universidad of Navarra.

*Pablo Turner.* Mr. Turner has served as our director since 2013. He also serves as director of Supermercados Peruanos and Intercorp Retail, as well as other Intercorp Peru companies. He served as Chief Executive Officer of Almacenes Paris in Chile and Falabella Latin America. Mr. Turner received a bachelor's degree in Business from the Universidad Católica de Chile and master's degree in business administration from the University of Chicago.

## Executive Officers

The business address of each of our executive officers is Carlos Villarán 140, 19th Floor, Lima 13, Peru.

Name	Position	Year of Birth	Year Appointed*
Miguel Uccelli .....	Chief Executive Officer	1971	2014
Rafael Dasso .....	Executive Vice President and Chief Commercial Officer	1970	2008
Misael Shimizu .....	Executive Vice President and Chief Business Development Officer	1973	2011
Jose Antonio Maciá .....	Chief Financial Officer	1977	2010
Rodrigo Sarria.....	Vice President of Project Development	1972	2010
Fernando Arrieta.....	Vice President and Chief Operations Officer	1975	2014
Daniel Duharte.....	Vice President of Sales and Marketing and Store Planning Division	1972	2012

\* Represents the year each individual was appointed as an officer in one of our pre-existing subsidiaries. All individuals were appointed as officers to the Issuer in 2014.

*Miguel Uccelli.* Mr. Uccelli serves as Chief Executive Officer of InRetail RE since January 2014. He has served as Interbank's Executive Vice President for Retail Banking since January 2011. Mr. Uccelli joined Interbank in 2004 as CEO of Interfondos and served as Interbank's Head of Mortgage and Real Estate Division since 2006 and Vice President for Credit Cards since July 2008. Prior to 2006, he served as Vice President at Deutsche Bank Securities Global Investment Banking Division in New York and an Associate at JP Morgan & Co. Mr. Uccelli has served as a director in several Intercorp companies, including Interfondos S.A.F, Visanet S.A.C., Procesos MC Perú S.A.C., Expressnet S.A.C., TEBCA S.A., Inteligo S.A.B and Financiero Uno. Mr. Uccelli received bachelor's degrees in business administration and accounting from the Universidad del Pacífico in Lima and a master's degree in business administration from the Wharton School at the University of Pennsylvania.

*Rafael Dasso.* Mr. Dasso has served as our Executive Vice President and Chief Commercial Officer Chief since 2014. He has also serves as Chief Executive Officer of Real Plaza since 2008. Mr. Dasso also serves as Chairman of the Board of Cineplanet (the largest movie theatre chain in Peru), Peruplast and Inmobiliaria Milenia. Previously, Mr. Dasso served as Chief Executive Officer of Cineplanet. Mr. Dasso received a degree in business administration from Lehigh University, Pennsylvania, and a master's degree in business administration from the Wharton School of Business at the University of Pennsylvania.

*Misael Shimizu.* Mr. Shimizu was appointed as our Executive Vice President and Chief Business Development Officer in 2014. He also serves as Chief Executive Officer of InRetail Properties since 2011. Mr. Shimizu leads a team of 25 professionals focused on securing InRetail RE's landbank. He served as Business Development director of Supermercados Peruanos, from 2005 to 2011, being responsible for the development of new stores and securing landbank for future projects. Previously, Mr. Shimizu was an Associate with APOYO Consultoría - Management Consulting and Booz Allen and Hamilton. Mr. Shimizu received a bachelor's degree in economics from the Universidad del Pacífico and a master's degree in business administration from the Amos Tuck School of Business at Dartmouth College.

*Jose Antonio Maciá.* Mr. Maciá has served as our Chief Financial Officer since 2014. Previously, Mr. Maciá served as Chief Financial Officer of Real Plaza. Mr. Maciá also worked at Supermercados Peruanos from 2005 and 2006, serving as Financial Planning Manager. Mr. Maciá received a degree in industrial engineering from the Universidad de Lima and a master's degree in business administration from IESE Business School at Universidad of Navarra.

*Rodrigo Sarria.* Mr. Sarria has served as our Vice President of Project Development since 2014. Mr. Sarria served as Director of Mall Development for InRetail Properties and Real Plaza, S.A. since 2010. Mr. Sarria also worked at Aventura Plaza, Wells Fargo Bank, The Related Companies, Pulte Homes and Cosapi during his career from 1985 to 2010, serving as Field Engineer, Project Manager, Head of Corporate Construction Planning and Control, and as a Commercial Real Estate Banking Key Relationship Manager. Mr. Sarria received a degree in Construction Sciences and Management from the University of Florida and a master's degree in business administration with a double concentration in Corporate Finance and Real Estate from the Kenan-Flagler School of Business at the University of North Carolina-Chapel Hill.

*Fernando Arrieta.* Mr. Arrieta has served as our Vice President and Chief Operations Officer since 2014, having the same position in Real Plaza since February 2014. Previously, Mr. Arrieta served as Vice President of Customer Experience & Six Sigma at Select Comfort in Minneapolis. At Select Comfort, Mr. Arrieta also worked as Director of Operations from 2007 to 2011. Previously Mr. Arrieta worked as the Head of Corporate Demand Management at Belcorp (the largest direct selling company in Peru). Mr. Arrieta received a degree in business administration from the Universidad de Lima and a master's degree in business administration from the Amos Tuck School of Business at Dartmouth College.

*Daniel Duharte.* Mr. Duharte has served as our Vice President of Sales, Marketing and Store Planning Division since 2014, having had the same position in Real Plaza since 2012. Previously, Mr. Duharte served as Commercial and Marketing Manager in Mall Aventura Plaza from 2009 to 2012. Mr. Duharte also worked at DIAGEO from 2006 to 2009, serving as Marketing Manager in Peru, Ecuador and Bolivia. Previously, Mr. Duharte also worked at TETRA PAK from 2002 to 2006, serving as Commercial Manager in Peru and Bolivia. Mr. Duharte received a bachelor's degree in business administration from the Lima University and a post-graduate in Marketing from ESAN.

## RELATED PARTY TRANSACTIONS

We and our subsidiaries engage in a variety of transactions among ourselves and certain of our affiliates and related parties. We both lease property from, and lease property to, several affiliates who are part of Intercorp Peru. We are also dependent, to a certain extent, on affiliates of Intercorp Peru for the availability and quality of other services. All material transactions between us and any of our affiliates or related parties are evaluated by our senior management in accordance with applicable laws and internal guidelines applicable to all third-party transactions. These transactions are subject to prevailing market conditions. See “Risk Factors—Risks Relating to our Business—We may be adversely affected by our relationships with Intercorp Peru or other related parties, whose activities we cannot control.”

Our affiliates Interbank and Interseguro may extend loans to related parties in accordance with Peruvian law and regulations established by the SBS. According to Peruvian law, loans to related parties cannot be made on more favorable terms than those offered to the public. As a result, all such related party loans have been made in the ordinary course of business, on an arm’s length basis and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions offered to the public. In addition, related party loans do not involve greater collection risk or present other features unfavorable to us as compared to loans offered by those related parties in the market.

Certain terms of the notes also restrict our ability to engage in related party transactions.

For additional information about certain transactions with related parties and affiliates, see note 25 to our audited annual consolidated financial statements elsewhere in this offering memorandum.

### Operating Transactions

#### *Related party tenants*

Our parent Company, Intercorp Retail, is one of Peru’s largest retail companies and operates in several formats, including department stores, homecenters and supermarkets. Many of our most important anchor tenants are owned by Intercorp Retail or other related parties, and these anchor tenants typically lease between 60-80% of our GLA. All lease agreements between us and related party tenants are established on an arm’s-length basis.

#### *Purchase of Puruchuco land*

We intend to use US\$35.5 million of the proceeds from this offering to purchase the real estate upon which we will build our Puruchuco shopping mall from Interseguro. We have negotiated the terms of this contemplated purchase on an arm’s-length basis.

#### *Intertítulos Management*

Interproperties Peru pays a management fee of S/.72,000 per year to Intertítulos for the execution and administration of activities pursuant to instructions by the Interproperties Peru administration committee.

### Financing Transactions

#### *Financial leasing with Interbank*

##### *Cusco Leaseback*

IPDS entered into a Lease-back Agreement with Interbank and InRetail RE in November 2013, for an aggregate amount of S/.108.3 million. This obligation is associated with our Cusco shopping mall.

##### *Santa Clara Leasing and Leaseback*

In March 2011, Interproperties Peru entered into a lease agreement for an amount of S/.7.4 million and a lease-back agreement for an amount of S/.540,000 with Interbank. These obligations are associated with our Santa Clara’s shopping mall.



***Other financial products***

As part of its ongoing treasury operations, Interproperties Peru has obtained other financial products from Interbank, including, among others, letters of guarantee and letters of credit. As of the date of this offering memorandum, S/.69.2 million of such financial products was outstanding.

## DESCRIPTION OF THE NOTES

The Issuer has issued the notes under the Indenture dated July 9, 2014 (the “*Indenture*”) among itself, the Guarantors and The Bank of New York Mellon, as indenture trustee (the “*Indenture Trustee*”). The notes issuable under the Indenture are unlimited in aggregate principal amount, although the issuance of notes in this offering was limited to US\$350 million. The Issuer may issue an unlimited principal amount of additional notes having substantially identical terms and conditions as the notes other than the issue date, the issue price and the first interest payment date (the “*Additional Notes*”). The Issuer is only permitted to issue such Additional Notes if they are fungible with the notes for U.S. federal income tax purposes and if, at the time of such issuance, the Issuer is in compliance with the covenants contained in the Indenture. Any Additional Notes will be part of the same series as the notes that the Issuer is currently offering and will vote on all matters with the notes.

This description of notes is intended to be a useful overview of the material provisions of the notes and the Indenture. Since this description of notes is only a summary, it does not contain all of the details found in the full text of, and is qualified in its entirety by the provisions of, the notes and the Indenture. You should refer to the Indenture for a complete description of the obligations of the Issuer, the Guarantors and your rights. The Issuer will make a copy of the Indenture available to the Holders and to prospective investors upon request.

You will find the definitions of capitalized terms used in this description under the heading “—Certain Definitions.” For purposes of this description, unless otherwise indicated or the context otherwise requires, references to “the Issuer” refer only to Patrimonio en Fideicomiso—D.S. No. 093-2002-EF—InRetail Shopping Malls (acting through its trustee (*fiduciario*), Internacional de Títulos Sociedad Titulizadora S.A. (the “*ISM Trustee*”), under the InRetail Shopping Malls Trust Deed) and not to its subsidiaries; references to “Parent,” “we,” “our” and “us” refer only to InRetail Real Estate Corp. and not to its subsidiaries; references to “Guarantors” refer to Parent and the Subsidiary Guarantors (including the Initial Subsidiary Guarantors); and references to “Subsidiaries” and “Restricted Subsidiaries” of the Parent include, without limitation, the Issuer. Certain defined terms used in this description but not defined herein have the meanings assigned to them in the Indenture.

### General

The notes:

- are general unsecured, senior obligations of the Issuer;
- are limited to an aggregate principal amount of US\$350 million, subject to the Issuer’s ability to issue Additional Notes;
- mature on July 9, 2021, whereupon the principal will be repaid at 100% of its nominal amount;
- are unconditionally Guaranteed on a senior basis by the Guarantors. See “—Note Guarantees”;
- were issued in denominations of US\$10,000 and integral multiples of US\$1,000 in excess thereof; and
- are represented by one or more registered notes in global form, but in certain circumstances may be represented by notes in definitive form. See “Book-Entry, Delivery and Form.”

Interest on the notes:

- accrues at the rate of 6.500% per annum;
- accrues from the date of original issuance or, if interest has already been paid, from the most recent interest payment date;
- is payable in cash semi-annually in arrears on January 9 and July 9 of each year, beginning on January 9, 2015;

- is payable to the Holders of record at the close of business on the December 25 and June 24 immediately preceding the related interest payment dates; and
- is computed on the basis of a 360 day year comprised of twelve 30 day months.

### Note Guarantees

Parent and each Initial Subsidiary Guarantor initially Guarantee the notes and the obligations of the Issuer under the Indenture. The Guarantors, jointly and severally, irrevocably and unconditionally guarantee, on a senior unsecured basis, the Issuer's payment obligations under the notes and all payment obligations under the Indenture. Such Guarantors, jointly and severally, agree to pay, in addition to such payments obligations, any and all costs and expenses (including reasonable attorneys' fees and expenses) incurred by the Indenture Trustee or the Holders in enforcing or exercising any rights under the Note Guarantees.

The Initial Subsidiary Guarantors include (i) InterProperties Holding and InterProperties Holding II, which hold all of our and our subsidiaries' certificates of participation (*certificados de participación*) in InterProperties Peru Trust and, in the case of Interproperties Holding II, also in Interproperties Puerta del Sol, (ii) InRetail Properties Management, and (iii) Real Plaza. However, even though Interproperties Peru, Interproperties Puerta del Sol and Inmobiliaria Puerta del Sol are initially Restricted Subsidiaries under the Indenture, Holders of the notes will not benefit from any Guarantee by Interproperties Peru, Interproperties Puerta del Sol or Inmobiliaria Puerta del Sol, which currently hold all of our and our Subsidiaries' shopping center and mall properties. As a result, any existing or future liabilities (including Indebtedness) of Interproperties Peru, Interproperties Puerta del Sol and Inmobiliaria Puerta del Sol will be structurally senior to the notes. As of March 31, 2014, our and our consolidated subsidiaries' outstanding indebtedness (excluding intercompany indebtedness) was US\$230.6 million, US\$173.5 million of which was due under the DB Loan. For more information, see "Description of the Issuer" in this offering memorandum.

The obligations of each Guarantor under its Note Guarantee are limited as necessary to prevent that Note Guarantee from constituting a fraudulent conveyance or fraudulent transfer under applicable law. If a Note Guarantee were rendered voidable, it could be subordinated by a court to all other Indebtedness (including Guarantees and other contingent liabilities) of the Guarantor, and, depending on the amount of such Indebtedness, a Guarantor's liability on its Note Guarantee could be reduced to zero. See "Risk Factors—Risks Related to the Notes—It is possible that the guarantees may not be enforceable in the event of insolvency or bankruptcy or may be limited as to enforcement."

The Indenture provides that each Note Guarantee by a Guarantor is automatically and unconditionally released and discharged upon:

- (1) (a) in the case of a Subsidiary Guarantor, any sale, assignment, transfer, conveyance, exchange or other disposition (by merger, consolidation or otherwise) of the Capital Stock of a Subsidiary Guarantor after which the applicable Subsidiary Guarantor is no longer a Restricted Subsidiary, which sale, assignment, transfer, conveyance, exchange or other disposition is made in compliance with the applicable provisions of the Indenture, including "—Repurchase at the Option of Holders—Asset Sales" and the first paragraph under "—Certain Covenants—Merger and Consolidation"; provided that (x) all the obligations of such Subsidiary Guarantor under all other Indebtedness of the Issuer and its Restricted Subsidiaries terminate upon consummation of such transaction and (y) any Investment of the Parent or any other Subsidiary of the Parent (other than any Subsidiary of such Subsidiary Guarantor) in such Subsidiary Guarantor or any Subsidiary of such Subsidiary Guarantor in the form of an Obligation or Preferred Stock is repaid, satisfied, released and discharged in full upon such release;
- (b) in the case of a Subsidiary Guarantor that is not an Initial Subsidiary Guarantor or a Significant Subsidiary, the release or discharge of such Subsidiary Guarantor from its Guarantee of Indebtedness of the Issuer, the Parent and Subsidiary Guarantor that resulted in the obligation of such Subsidiary Guarantor to Guarantee the Notes, if such Subsidiary Guarantor would not then otherwise be required to provide a Note Guarantee pursuant to the Indenture; provided that if such Person has Incurred any Indebtedness in reliance on its status as a Subsidiary Guarantor under the covenant "—Certain Covenants—Limitation on Indebtedness," such Subsidiary Guarantor's obligations under such Indebtedness, as the case may be, so Incurred are

satisfied in full and discharged or are otherwise permitted to be Incurred by a Restricted Subsidiary (other than a Subsidiary Guarantor) under “—Certain Covenants—Limitation on Indebtedness”;

- (c) the designation of any Subsidiary Guarantor as an Unrestricted Subsidiary; or
  - (d) the Issuer’s exercise of its legal defeasance option or, except in the case of the Parent’s Note Guarantee, covenant defeasance option as described under “—Defeasance,” or the satisfaction and discharge of the Issuer’s obligations under the Indenture in accordance with the terms of the Indenture; and
- (2) such Guarantor delivering to the Indenture Trustee an Officer’s Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for in the Indenture relating to such transaction and release have been complied with.

### **Ranking**

The notes and the Note Guarantees are senior unsecured obligations of the Issuer and the Guarantors, respectively, and rank:

- (1) equal in right of payment with all of the Issuer’s and the Guarantors’ respective existing and future senior unsecured indebtedness; and
- (2) senior in right of payment to any of the Issuer’s and the Guarantors’ respective future subordinated indebtedness.

The notes and the Note Guarantees effectively rank junior to all of the Issuer’s and the Guarantors’ respective existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness. The notes and the Note Guarantees effectively rank junior to any existing and future obligations of the Issuer and the Guarantors that are granted preferential treatment pursuant to Peruvian or other applicable law, such as labor and tax obligations. The notes and the Note Guarantees are structurally subordinated to all existing and future liabilities of any Subsidiaries that do not provide a Note Guarantee.

As of March 31, 2014, our and our consolidated subsidiaries’ outstanding indebtedness (excluding intercompany indebtedness) was US\$230.6 million, of which US\$62.6 million constituted secured indebtedness (excluding the DB Loan). For more information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this offering memorandum. As of March 31, 2014, calculated on a pro forma basis and adjusted to give effect to this offering of notes, including the use of proceeds described herein, as if all such transactions had occurred on March 31, 2014, we had S/.1,172.3 million (US\$417.4 million) of outstanding consolidated indebtedness (excluding intercompany indebtedness), of which S/.175.6 million (US\$62.6 million) was secured indebtedness.

Although the Indenture limits the amount of Indebtedness that the Parent and its Restricted Subsidiaries may Incur, such Indebtedness may be substantial and a significant portion of such Indebtedness may be Secured Indebtedness or structurally senior to the notes.

### **Payments on the Notes; Transfer and Exchange**

The Issuer will pay, or cause to be paid, the principal of, premium, if any, and interest on the notes at the office or agency designated by the Issuer, except that the Issuer may, at its option, pay interest on the notes by check mailed to Holders at their registered address set forth in the registrar’s books.

The Issuer will pay principal of, premium, if any, and interest on, notes in global form registered in the name of or held by The Depository Trust Company (“DTC”) or its nominee in immediately available funds to DTC or its nominee, as the case may be, as the registered Holder of such global note.

The Issuer has initially designated the corporate trust office of the Indenture Trustee to act as a paying agent (“*Paying Agent*”), a transfer agent (“*Transfer Agent*”) and the registrar (the “*Registrar*”). The Issuer may, however, change any Paying Agent, Transfer Agent or Registrar without prior notice to the Holders, and the Issuer or any of its Restricted Subsidiaries may act as Paying Agent, Transfer Agent or Registrar.

A Holder may transfer or exchange notes in accordance with the Indenture. The Registrar and the Transfer Agent may require a Holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge will be imposed by the Issuer, the Registrar or the Transfer Agent for any registration of transfer or exchange of notes, but the Issuer, the Registrar or the Transfer Agent may require a Holder to pay a sum sufficient to cover any transfer tax or other governmental taxes and fees required by law or permitted by the Indenture. The Issuer, the Registrar or the Transfer Agent are not required to transfer or exchange any note selected for redemption. Also, the Issuer is not required to transfer or exchange any note for a period of 15 days before the day of any selection of notes to be redeemed.

The registered Holder of a note will be treated as the owner of it for all purposes.

The Issuer will, as long as the notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market, also maintain a Transfer Agent and a Paying Agent in Luxembourg. To the extent the Paying Agent in Luxembourg is obliged to withhold or deduct tax on payments of interest or other similar income pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the Economic and Financial Affairs (“*ECOFIN*”) council meeting of November 26 27, 2000 on the taxation of savings income, or any law implementing or complying with, or introduced in order to conform to, such Directive, the Issuer will, to the extent permitted by law, maintain an additional Paying Agent in a Member State of the European Union that is not obliged to make such withholding or deduction.

To the extent permitted by law, claims against the Issuer for the payment of principal, interest or other amounts will become void unless made within six years after the date on which the payment first became due.

#### **Additional Amounts**

All payments in respect of the notes (including any payments made pursuant to a Note Guarantee) will be made free and clear of and without any withholding or deduction for or on account of any present or future Taxes (as defined below), unless the withholding or deduction of such Taxes is required by law or by the administration thereof. If the applicable withholding agent is so required by any law of any Taxing Jurisdiction (as defined below) to withhold or deduct any Taxes from or in respect of any sum payable under the notes, the Issuer or the applicable Guarantor, as the case may be, will (a) pay such additional amounts (“*Additional Amounts*”) as may be necessary in order that the net amounts receivable by Holders of any notes after such withholding or deduction (including any withholding or deduction in respect of such payment of Additional Amounts) equals the respective amounts which would have been receivable by such Holders in the absence of such withholding or deduction, (b) make such withholding or deduction, and (c) pay the full amount withheld or deducted to the relevant tax or other authority in accordance with applicable law, except that no such Additional Amounts will be payable in respect of any note:

- (a) to the extent that such Taxes are imposed or levied by reason of such Holder (or the beneficial owner) having some connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of such note or receiving principal or interest payments on the notes or enforcing its rights thereunder (including, but not limited to; citizenship, nationality, residence, domicile, or existence of a business, permanent establishment, a dependent agent, a place of business or a place of management present or deemed present in the Taxing Jurisdiction);
- (b) to the extent that any Tax is imposed other than by deduction or withholding from payments of principal, premium, if any, or interest on the note;
- (c) in respect of any Taxes that would not have been so deducted or withheld but for the failure by the Holder (or beneficial owner) to comply with any certification, identification or other reporting requirement concerning such Holder’s (or beneficial owner’s) nationality, residence, identity or connection with the Taxing Jurisdiction if (1) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or part of the Taxes, (2) the Holder (or beneficial owner) is able to comply with these requirements without undue hardship and (3) the Issuer has given the Holders (or beneficial owners) at least 30 calendar days prior notice that they will be required to comply with such requirement;
- (d) in the event that the Holder fails to surrender (where surrender is required) its note for payment within 30 days after the Issuer has made available a payment of principal or interest, provided that the Issuer will

pay Additional Amounts to which a Holder would have been entitled had the note been surrendered on the last day of such 30 day period;

- (e) to the extent that such Taxes are estate, inheritance, gift, personal property, value added, excise, transfer, use or sales or any similar Taxes;
- (f) where such Taxes are required to be made pursuant to European Union Council Directive 2003/48/EC or any other Directive on the taxation of savings income implementing the conclusions of the ECOFIN council meeting of 26 and 27 November 2000, or any law implementing or complying with, or introduced in order to conform to, such Directive;
- (g) to or on behalf of a Holder who would have been able to avoid such Taxes by presenting the relevant note to another Paying Agent in a member state of the European Union;
- (h) where such Taxes are imposed on or in respect of any Note pursuant to sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), any successor law or regulation implementing or complying with, or introduced in order to conform to, such sections or any intergovernmental agreement or any agreement entered into pursuant to section 1471(b)(1) of the Code; or
- (i) any combination of items (a) through (h) above.

Furthermore, no Additional Amounts will be paid to a Holder that is a fiduciary or a partnership or not the sole beneficial owner of such payment to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or such beneficial owner would not have been entitled to receive the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the Holder.

“Taxes” means, with respect to payments on the notes, all taxes, withholdings, duties, assessments or governmental charges in the nature of a tax (including related penalties, interest and other liabilities) imposed or levied by or on behalf of Peru or any jurisdiction in which the Issuer or a Guarantor is organized or otherwise resident for tax purposes or through which payments are made in respect of the notes or, in the event that the Issuer appoints additional Paying Agents, the jurisdiction of any such additional Paying Agents or, in each case, any political subdivision thereof or any authority or agency therein or thereof having power to tax (each, a “*Taxing Jurisdiction*”).

The Issuer will provide the Indenture Trustee with the official acknowledgment of the relevant Taxing Jurisdiction (or, if such acknowledgment is not available, other reasonable documentation) evidencing any payment of any Taxes in respect of which the Issuer or a Guarantor has paid any Additional Amounts. Copies of such documentation will be made available to the Holders or beneficial owners of the notes or the Paying Agents, as applicable, upon request therefor.

In addition, the Issuer will pay any stamp, issue, excise, property, registration, documentary or other similar taxes and duties, including interest and penalties, imposed by a Taxing Jurisdiction in respect of the creation, issue, delivery, registration and offering of the notes or the execution of the notes, the Note Guarantees, the Indenture or any other related document or instrument. The Issuer will also pay and indemnify the Holders and beneficial owners from and against all court taxes or other taxes and duties, including interest and penalties, imposed by a Taxing Jurisdiction and paid by any of them in any jurisdiction in connection with any action permitted to be taken by the Holders and beneficial owners to enforce the Issuer’s obligations under the notes.

All references in this offering memorandum to principal, premium, if any, and interest on the notes will include any Additional Amounts payable in respect of such principal, premium, if any, and interest.

## **Optional Redemption**

### ***Optional Make-Whole Redemption***

At any time, or from time to time, prior to July 9, 2018, the Issuer may, at its option, redeem the notes, in whole or in part, at a redemption price equal the greater of (1) 100% of the principal amount of such notes and (2) the sum of the present value at such redemption date of (i) the redemption price of the notes on July 9, 2018 (such redemption price being set forth in the table below under “—Optional Scheduled Redemption”) plus (ii) all required interest payments thereon through July 9, 2018 (excluding accrued but unpaid interest to the redemption date),

discounted to the redemption date on a semi annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points (the “*Make-Whole Amount*”); *provided, however*, that, if the notes are redeemed in part only, notes in an aggregate amount of at least US\$100 million shall remain outstanding immediately after any such partial redemption.

“*Comparable Treasury Issue*” means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a comparable maturity to the remaining term of such notes.

“*Comparable Treasury Price*” means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if fewer than four such Reference Treasury Dealer Quotations are obtained, the average of all such quotations.

“*Independent Investment Banker*” means one of the Reference Treasury Dealers appointed by the Issuer.

“*Reference Treasury Dealer*” means Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC or their respective affiliate that is a primary United States government securities dealer in New York City (a “*Primary Treasury Dealer*”), and not less than three other leading Primary Treasury Dealers reasonably designated by the Issuer; provided that if any of the foregoing cease to be a Primary Treasury Dealer, the Issuer will substitute therefor another Primary Treasury Dealer.

“*Reference Treasury Dealer Quotation*” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by an Independent Investment Banker, of the bid and asked price for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the third Business Day preceding such redemption date.

“*Treasury Rate*” means, with respect to any redemption date, the rate per annum equal to the semi annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

#### *Optional Scheduled Redemption*

At any time, or from time to time, on and after July 9, 2018, the Issuer may redeem the notes, in whole or in part, at the following redemption prices (expressed as a percentage of principal amount of the notes to be redeemed) set forth below, plus accrued and unpaid interest on the notes, if any, to the applicable redemption date, if redeemed during the twelve month period beginning on July 9 of each of the years indicated below; *provided, however*, that, if the notes are redeemed in part only, notes in an aggregate amount of at least US\$100 million shall remain outstanding immediately after any such partial redemption.

Year	Percentage
2018 .....	103.250%
2019 .....	101.625%
2020 and thereafter .....	100.000%

#### *Optional Redemption Upon Equity Offerings*

At any time, or from time to time, on or prior to July 9, 2017, the Issuer may, at its option, redeem up to 35% of the outstanding aggregate principal amount of the notes (calculated after giving effect to any issuance of Additional Notes) with the Net Cash Proceeds of one or more Equity Offerings at a redemption price equal to 106.500% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the applicable redemption date; provided that

(1) at least 65% of the aggregate principal amount of the notes (calculated after giving effect to any issuance of Additional Notes) remains outstanding after each such redemption; and

(2) such redemption occurs within 90 days after the closing of such Equity Offering.

### ***Tax Redemption***

The Issuer may redeem the notes, in whole but not in part, at 100% of their outstanding principal amount plus accrued and unpaid interest to the redemption date and any Additional Amounts (as defined under “—Additional Amounts”) payable with respect thereto, only if:

- (1) on the next interest payment date the Issuer or applicable Guarantor would be obligated to pay Additional Amounts in respect of interest on the notes or Note Guarantee in excess of the Additional Amounts that it would pay if interest payments in respect of the notes or Note Guarantee were subject to deduction or withholding at a rate of 4.99% generally (determined without regard to any interest, fees, penalties or other additions to tax), as a result of any change in, or amendment to, the laws or regulations of any Taxing Jurisdiction (as defined under “—Additional Amounts”), or any change in, or a pronouncement by competent authorities of the relevant Taxing Jurisdiction with respect to, the official application or official interpretation of such laws or regulations, which change, amendment or pronouncement occurs after the Issue Date (or, in the case of any withholding taxes imposed by a jurisdiction that becomes a Taxing Jurisdiction after the Issue Date, after the date such jurisdiction becomes a Taxing Jurisdiction); and
- (2) such obligation cannot be avoided by the Issuer or applicable Guarantor taking reasonable measures available to it; provided that for this purpose reasonable measures shall not include any change in the Issuer’s jurisdiction of organization or location of its principal executive office. For the avoidance of doubt, reasonable measures may include a change in the jurisdiction of the Paying Agent, provided that such change shall not require the Issuer to incur material additional costs or legal or regulatory burdens.

No such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Issuer or applicable Guarantor would be obligated to pay such Additional Amounts if a payment in respect of the notes or Note Guarantee were then due.

Prior to the giving of any notice of redemption of the notes as described under “—Notices,” the Issuer must deliver to the Indenture Trustee an Officer’s Certificate confirming that it is entitled to exercise such right of redemption. The Issuer will also deliver to the Indenture Trustee an Opinion of Counsel of recognized standing that is independent of the Issuer stating that it (or an applicable Guarantor) would be obligated to pay such Additional Amounts due to the changes in tax laws or regulations or changes in, or pronouncements with respect to, the official application or official interpretation of such laws or regulations. The Indenture Trustee will accept this certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in clauses (1) and (2) above, in which event it will be conclusive and binding on the Holders.

### ***Redemption Procedures***

The Issuer will give a notice of redemption to each Holder (which, in the case of global notes, will be DTC) in accordance with the procedures described under “—Notices” at least 30 days and not more than 60 days prior to the redemption date. A notice of redemption will be irrevocable.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the notes called for redemption on and after the redemption date.

In the case of any partial redemption, selection of the notes for redemption will be made by the Indenture Trustee in compliance with the requirements of the Luxembourg Stock Exchange, for so long as the notes are listed on the Luxembourg Stock Exchange, or, if the notes are not listed, to the extent permitted under applicable law, on a *pro rata* basis or by lot (in each case, subject to the procedures of DTC in the case of global notes). No notes of US\$10,000 in principal amount or less will be redeemed in part. If any note is to be redeemed in part only, the notice of redemption relating to such note will state the portion of the principal amount thereof to be redeemed. A new note in principal amount equal to the unredeemed portion thereof were issued in the name of the Holder thereof upon cancellation of the original note.



### ***Mandatory Redemption; Open Market Purchases***

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the notes. However, under certain circumstances, the Issuer may be required to offer to purchase the notes as described under the caption “—Repurchase at the Option of Holders.”

The Issuer may acquire notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws, so long as such acquisition does not otherwise violate the terms of the Indenture; *provided, however*, that, if the Issuer acquires the notes in part only, notes in an aggregate amount of at least US\$100 million shall remain outstanding; *provided, further*, that, if the Issuer or any of its Affiliates undertakes a tender offer of notes for any and all of the notes, such requirement of a minimum amount of notes outstanding shall no longer apply.

### **Repurchase at the Option of Holders**

#### ***Change of Control***

If a Change of Control Event occurs, unless the Issuer has exercised its right to redeem all of the notes as described under “—Optional Redemption” prior to the Change of Control Event, the Issuer or the Parent will make an offer to purchase all of the notes (the “*Change of Control Offer*”) at a purchase price in cash equal to 101% of the principal amount of the notes plus accrued and unpaid interest, if any, to the date of purchase (the “*Change of Control Payment*”).

Within 30 days following any Change of Control Event, unless the Issuer has exercised its right to redeem all of the notes as described under “—Optional Redemption” prior to the Change of Control Event, the Issuer or the Parent will give a notice of such Change of Control Offer to each Holder or otherwise give notice in accordance with the applicable procedures of DTC, with a copy to the Indenture Trustee, stating:

- (1) that a Change of Control Offer is being made and that all notes properly tendered pursuant to such Change of Control Offer will be accepted for purchase by the Issuer or the Parent at a purchase price in cash equal to 101% of the principal amount of such notes plus accrued and unpaid interest, if any, to the date of purchase;
- (2) the purchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is given) (the “*Change of Control Payment Date*”); and
- (3) the procedures determined by the Issuer or the Parent, consistent with the Indenture, that a Holder must follow in order to have its notes repurchased.

On the Business Day immediately preceding the Change of Control Payment Date, the Issuer or the Parent will, to the extent lawful, deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes so tendered.

On the Change of Control Payment Date, the Issuer or the Parent will, to the extent lawful:

- (1) accept for payment all notes or portions of notes (of US\$10,000 or larger integral multiples of US\$1,000 in excess thereof) properly tendered pursuant to the Change of Control Offer; and
- (2) deliver or cause to be delivered to the Indenture Trustee for cancellation the notes so accepted together with an Officer’s Certificate stating the aggregate principal amount of notes or portions of notes being purchased by the Issuer in accordance with the terms of this covenant.

The Paying Agent will promptly deliver to each Holder of Notes so tendered the Change of Control Payment for such notes, and, if only a portion of the notes is purchased pursuant to a Change of Control Offer, the Indenture Trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder a new note equal in principal amount to any unpurchased portion of the notes surrendered upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interest in a global note will be made, as appropriate); *provided* that each such new note will be in a principal amount of US\$10,000 or integral multiples of US\$1,000 in excess thereof.

If the Change of Control Payment Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest to the Change of Control Payment Date will be paid on the relevant interest payment date to the Person in whose name a note is registered at the close of business on such record date.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control Event, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the notes in the event of a takeover, recapitalization, leveraged buyout or similar transaction.

Future Indebtedness of the Issuer or the Parent may contain prohibitions on the occurrence of events that would constitute a Change of Control Event or require that Indebtedness be repurchased upon a Change of Control Event. Moreover, the exercise by the Holders of their right to require the Issuer or the Parent to repurchase the notes upon a Change of Control Event could cause a default under other future Indebtedness even if the Change of Control Event itself does not.

If a Change of Control Offer occurs, the Issuer or the Parent may not have available funds sufficient to make the Change of Control Payment for all the notes that might be delivered by Holders seeking to accept the Change of Control Offer. In the event the Issuer or the Parent is required to purchase outstanding notes pursuant to a Change of Control Offer, the Issuer or the Parent expect either of them would seek third party financing to the extent either of them does not have available funds to meet its purchase obligations and any other obligations it may have. However, the Issuer and the Parent cannot assure you that they would be able to obtain necessary financing, and the terms of the Indenture may restrict the ability of the Issuer or the Parent to obtain such financing.

The Issuer and the Parent will not be required to make a Change of Control Offer upon a Change of Control Event if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer or the Parent and purchases all notes validly tendered and not withdrawn under such Change of Control Offer or (2) notice of redemption has been given with respect to all of the notes pursuant to the Indenture prior to the related Change of Control Event as described above under “—Optional Redemption,” unless and until there is a default in payment of the applicable redemption price.

The Issuer and the Parent will comply, to the extent applicable, with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws or regulations in connection with the repurchase of notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer and the Parent will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations described in the Indenture by virtue of the conflict or such compliance.

The Change of Control provisions described above may deter certain mergers, tender offers and other takeover attempts involving the Issuer or the Parent by increasing the capital required to effectuate such transactions. The definition of “Change of Control” includes a disposition of all or substantially all of the property and assets of the Parent and its Restricted Subsidiaries taken as a whole to any Person (other than Permitted Holders). Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer and Parent to make an offer to repurchase the notes as described above as a result of a Change of Control Event.

Certain provisions under the Indenture relating to the Issuer’s and the Parent’s obligation to make an offer to repurchase the notes as a result of a Change of Control Event may be waived or modified at any time with the written consent of the Holders of a majority in principal amount of the notes.

### *Asset Sales*

The Parent will not, and will not permit any of its Restricted Subsidiaries to, cause or make any Asset Disposition *unless*:

- (1) the Parent or such Restricted Subsidiary, as the case may be, receives consideration at least equal to the Fair Market Value (such Fair Market Value to be determined on the date of contractually agreeing to such Asset Disposition) of the shares and assets subject to such Asset Disposition;
- (2) at least 75% of the consideration from such Asset Disposition received by the Parent or such Restricted Subsidiary, as the case may be, is in the form of (a) cash or Cash Equivalents, (b) Additional Assets transferred in an Asset Swap or (c) a combination of (a) and (b); and
- (3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Parent or such Restricted Subsidiary, as the case may be, within 18 months from the later of the date of such Asset Disposition or the receipt of such Net Available Cash, as follows:
  - (a) to permanently reduce (and permanently reduce commitments with respect thereto) Secured Indebtedness of the Parent (other than any Disqualified Stock or Subordinated Obligations) or Secured Indebtedness of a Restricted Subsidiary (other than any Disqualified Stock or Guarantor Subordinated Obligations), in each case other than Indebtedness owed to the Parent or an Affiliate of the Parent;
  - (b) to permanently reduce obligations under other Indebtedness of the Parent (other than any Disqualified Stock or Subordinated Obligations) or Indebtedness of a Restricted Subsidiary (other than any Disqualified Stock or Guarantor Subordinated Obligations), in each case other than Indebtedness owed to the Parent or an Affiliate of the Parent;
  - (c) to invest in Additional Assets; or
  - (d) any combination of the foregoing;

*provided* that pending the final application of any such Net Available Cash in accordance with clause (a), (b), (c) or (d) above, the Parent and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture; and *provided, further*, that in the case of clause (c), a binding, written commitment to invest in Additional Assets shall be treated as a permitted application of the Net Available Cash from the date of such commitment so long as the Parent or a Restricted Subsidiary enters into such commitment with the good faith expectation that such Net Available Cash will be applied to satisfy such commitment within 24 months of such commitment (an “*Acceptable Commitment*”) and such Net Available Cash is actually applied in such manner within the later of 18 months from the consummation of such Asset Disposition and 24 months from the date of the Acceptable Commitment, it being understood that if the Acceptable Commitment is later cancelled or terminated for any reason before such Net Available Cash is applied, then such Net Available Cash not so applied shall constitute Excess Proceeds.

For the purposes of clause (2) above and for no other purpose, the following will be deemed to be cash:

- (1) any liabilities (as shown on the Parent’s or such Restricted Subsidiary’s most recent balance sheet) of the Parent or any Restricted Subsidiary (other than liabilities that are by their terms subordinated to the notes or the Note Guarantees) that are assumed by the transferee of any such assets and from which the Parent and all Restricted Subsidiaries have been validly released by all creditors in writing; and
- (2) any securities, notes or other obligations received by the Parent or any Restricted Subsidiary from the transferee that are converted by the Parent or such Restricted Subsidiary into cash (to the extent of the cash received) within 90 days following the closing of such Asset Disposition.

Any Net Available Cash from Asset Dispositions that is not applied or invested as provided in the preceding clause (3) will be deemed to constitute “Excess Proceeds.” When the aggregate amount of Excess Proceeds exceeds US\$30.0 million, the Issuer or the Parent will be required to, within 30 days thereafter, make an offer (“*Asset Disposition Offer*”) to all Holders and, to the extent required by the terms of outstanding Pari Passu Indebtedness, to all holders of such Pari Passu Indebtedness, to purchase the maximum aggregate principal amount of notes and any such Pari Passu Indebtedness that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of the notes of record on a record date to receive interest on the relevant interest payment date), in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in each case in denominations of US\$10,000 and integral multiples of US\$1,000 in excess thereof. The Issuer or the Parent shall commence an Asset Disposition Offer with respect to Excess Proceeds by giving the notice of the Asset Disposition Offer required pursuant to the terms of the Indenture, with a copy to the Indenture Trustee. To the extent that the aggregate amount of notes and Pari Passu Indebtedness validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer or the Parent may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of notes surrendered by Holders thereof and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Issuer shall select the notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate accreted value or principal amount of tendered notes and Pari Passu Indebtedness. Upon completion of such Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

The Asset Disposition Offer will remain open for a period of 20 Business Days following its commencement, except to the extent that a longer period is required by applicable law (the “*Asset Disposition Offer Period*”). No later than five Business Days after the termination of the Asset Disposition Offer Period (the “*Asset Disposition Purchase Date*”), the Issuer or the Parent will apply all Excess Proceeds to the purchase of the aggregate principal amount of notes and, if applicable, Pari Passu Indebtedness (on a *pro rata* basis, if applicable) required to be purchased pursuant to this covenant (the “*Asset Disposition Offer Amount*”) or, if less than the Asset Disposition Offer Amount of notes (and, if applicable, Pari Passu Indebtedness) has been so validly tendered, all notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer. Payment for any notes so purchased will be made in the same manner as interest payments are made.

If the Asset Disposition Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest to the Asset Disposition Purchase Date will be paid to the Person in whose name a note is registered at the close of business on such record date.

On or before the Asset Disposition Purchase Date, the Issuer or the Parent will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of notes and Pari Passu Indebtedness or portions thereof validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all notes and Pari Passu Indebtedness so tendered, in the case of the notes in integral multiples of US\$1,000; *provided* that if, following repurchase of a portion of a note, the remaining principal amount of such note outstanding immediately after such repurchase would be less than US\$10,000, then the portion of such note so repurchased shall be reduced so that the remaining principal amount of such note outstanding immediately after such repurchase is US\$10,000. The Issuer or the Parent will deliver, or cause to be delivered, to the Indenture Trustee the notes so accepted and an Officer’s Certificate stating the aggregate principal amount of notes or portions thereof so accepted and that such notes or portions thereof were accepted for payment by the Issuer or the Parent in accordance with the terms of this covenant. The Issuer or the Parent, as the case may be, will promptly, but in no event later than five Business Days after termination of the Asset Disposition Offer Period, mail or deliver to each tendering Holder or holder or lender of Pari Passu Indebtedness, as the case may be, an amount equal to the purchase price of the notes or Pari Passu Indebtedness so validly tendered and not properly withdrawn by such holder or lender, as the case may be, and accepted by the Issuer or the Parent for purchase, and the Issuer will promptly issue a new note, and the Indenture Trustee, upon delivery of an authentication order from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new note to such Holder in a principal amount equal to any unpurchased portion of the note surrendered; *provided* that each such new note will be in a principal amount of US\$10,000 or an integral multiple of US\$1,000 in excess thereof. In addition, the Issuer and the Parent will take any and all other actions required by the agreements governing the Pari Passu Indebtedness. Any note not so accepted will be

promptly mailed or delivered by the Issuer or the Parent to the Holder thereof. The Parent or the Issuer will publicly announce the results of the Asset Disposition Offer on the Asset Disposition Purchase Date.

The Issuer and the Parent will comply, to the extent applicable, with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws or regulations in connection with the repurchase of notes pursuant to an Asset Disposition Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer and the Parent will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

### **Certain Covenants**

The Indenture provides that the following restrictive covenants are applicable to the Parent and its Restricted Subsidiaries (including, without limitation, the Issuer).

#### ***Effectiveness of Covenants***

Following the first day:

- (a) the notes have an Investment Grade Rating from at least two Rating Agencies; and
- (b) no Default has occurred and is continuing under the Indenture,

the Parent and its Restricted Subsidiaries will not be subject to the provisions of the Indenture summarized under the headings below:

- “—Repurchase at the Option of Holders—Asset Sales,”
- “—Limitation on Restricted Payments,”
- “—Limitation on Restrictions on Distributions from Restricted Subsidiaries,”
- “—Limitation on Affiliate Transactions” and
- Clause (4) of the first paragraph of “—Merger and Consolidation.”

(collectively, the “*Suspended Covenants*”). If at any time the notes’ credit rating is downgraded from an Investment Grade Rating by any of such Rating Agencies, then the Suspended Covenants will thereafter be reinstated as if such covenants had never been suspended (the “*Reinstatement Date*”) and be applicable pursuant to the terms of the Indenture (including in connection with performing any calculation or assessment to determine compliance with the terms of the Indenture), unless and until the notes subsequently attain an Investment Grade Rating from at least two Rating Agencies (in which event the Suspended Covenants shall no longer be in effect for such time that the notes maintain an Investment Grade Rating from at least two Rating Agencies); *provided, however*, that no Default, Event of Default or breach of any kind shall be deemed to exist under the Indenture, the notes or the Note Guarantees with respect to the Suspended Covenants based on, and none of the Parent or any of its Subsidiaries shall bear any liability for, any actions taken or events occurring during the Suspension Period (as defined below), regardless of whether such actions or events would have been permitted if the applicable Suspended Covenants remained in effect during such period. The period of time between the date of suspension of the covenants and the Reinstatement Date is referred to as the “*Suspension Period*.”

Calculations made after the Reinstatement Date of the amount available to be made as Restricted Payments under “—Limitation on Restricted Payments” will be made as though the covenant described under “—Limitation on Restricted Payments” had been in effect since the Issue Date and throughout the Suspension Period. Accordingly, Restricted Payments made during the Suspension Period will reduce the amount available to be made as Restricted Payments under the first paragraph of “—Limitation on Restricted Payments.”

During any period when the Suspended Covenants are suspended, the Board of Directors of the Parent may not designate any of the Parent’s Subsidiaries as Unrestricted Subsidiaries pursuant to the Indenture.

### ***Limitation on Indebtedness***

*Leverage Test.* The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness; *provided, however,* that the Parent and its Restricted Subsidiaries may Incur Indebtedness if, on the date thereof and immediately after giving effect on a *pro forma* basis to the Incurrence of such Indebtedness and any other Indebtedness Incurred since the end of the Latest Completed Quarter prior to the Incurrence of the additional Indebtedness and the application of the net proceeds therefrom, the aggregate principal amount of all outstanding Indebtedness is not greater than 60% of the sum of (without duplication) (a) Total Assets as of the end of such Latest Completed Quarter and (b) the total purchase price of any real estate assets acquired by the Parent or any Restricted Subsidiary since the end of such Latest Completed Quarter; *provided, further,* that the Non-Guarantor Subsidiaries will not, directly or indirectly, Incur any Indebtedness other than Secured Indebtedness that would be permitted to be Incurred as Secured Indebtedness pursuant to the next succeeding paragraph.

*Secured Debt Test.* The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Secured Indebtedness; *provided, however,* that the Parent and its Restricted Subsidiaries may Incur Secured Indebtedness if, on the date thereof and immediately after giving effect on a *pro forma* basis to the Incurrence of such Secured Indebtedness and any other Secured Indebtedness Incurred since the end of the Latest Completed Quarter prior to the Incurrence of the additional Secured Indebtedness and the application of the net proceeds therefrom, the aggregate principal amount of all outstanding Secured Indebtedness is not greater than

- (i) 30% of the sum of (without duplication) (a) Total Assets as of the end of such Latest Completed Quarter and (b) the total purchase price of any real estate assets acquired by the Parent or any Restricted Subsidiary since the end of such Latest Completed Quarter, or
- (ii) during any Suspension Period, 40% of the sum of (without duplication) (a) Total Assets as of the end of such Latest Completed Quarter and (b) the total purchase price of any real estate assets acquired by the Parent or any Restricted Subsidiary since the end of such Latest Completed Quarter.

*Debt Service Test.* The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness; *provided, however,* that the Parent and its Restricted Subsidiaries may Incur Indebtedness if, on the date thereof and immediately after giving effect on a *pro forma* basis to the Incurrence of such Indebtedness and any other Indebtedness Incurred since the end of the Latest Completed Quarter and the application of the net proceeds therefrom, the ratio of Consolidated Adjusted EBITDA to Consolidated Interest Expense for the period consisting of the four consecutive fiscal quarters ending with the Latest Completed Quarter is greater than

- (i) (a) from the Issue Date to, but not including, the date that is the first anniversary thereof, 1.75 to 1.00, and (b) from such first anniversary date, 2.00 to 1.00, or
- (ii) during any Suspension Period, 1.50 to 1.00;

*provided, further,* that the Non-Guarantor Subsidiaries will not, directly or indirectly, Incur any Indebtedness other than Indebtedness that would be permitted to be Incurred as Secured Indebtedness pursuant to the immediately preceding paragraph.

The determination of compliance with this covenant shall be based on the assumption (without duplication) that:

- (1) the additional Indebtedness and any other Indebtedness Incurred by the Parent or any of its Restricted Subsidiaries since the first day of such four quarter period to the date of determination, which was outstanding at the date of determination, had been Incurred at the beginning of that period and continued to be outstanding throughout that period, and the application of the net proceeds of such Indebtedness, including to refinance other Indebtedness, had occurred at the beginning of such period; provided that in determining the amount of Indebtedness so Incurred, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average daily balance of such Indebtedness during such period;
- (2) the repayment or retirement of any other Indebtedness repaid or retired by the Parent or any of its Restricted Subsidiaries since the first day of such four quarter period to the date of determination had

occurred at the beginning of that period; provided that in determining the amount of Indebtedness so repaid or retired, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average daily balance of such Indebtedness during such period; and

- (3) in the case of any acquisition or disposition of any asset or group of assets (including, without limitation, by merger, or stock or asset purchase or sale) or the placement of any assets in service or removal of any assets from service by the Parent or any of its Restricted Subsidiaries since the first day of such four quarter period to the date of determination, the acquisition, disposition, placement in service or removal from service and any related repayment or refinancing of Indebtedness had occurred as of the first day of such period, with the appropriate adjustments to Consolidated Adjusted EBITDA and Consolidated Interest Expense with respect to the acquisition, disposition, placement in service or removal from service being included in that *pro forma* calculation.

For purposes of the preceding paragraph, whenever *pro forma* effect is to be given to any calculation, the *pro forma* calculations will be determined in good faith by a responsible financial or accounting officer of the Parent. If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months). If any Indebtedness that is being given *pro forma* effect bears an interest rate, at the option of the Parent the interest rate shall be calculated by applying such optional rate chosen by the Parent.

The foregoing paragraphs of this covenant will not prohibit the Incurrence of the following Indebtedness:

- (1) Indebtedness represented by the notes (including any Note Guarantee) (other than any Additional Notes);
- (2) Indebtedness of the Parent and its Restricted Subsidiaries in existence on the Issue Date (other than Indebtedness described in any other clause of this paragraph);
- (3) Guarantees by (a) the Parent, the Issuer or Subsidiary Guarantors of Indebtedness permitted to be Incurred by the Parent, Issuer or a Subsidiary Guarantor in accordance with the provisions of the Indenture; provided that in the event such Indebtedness that is being Guaranteed is a Subordinated Obligation or a Guarantor Subordinated Obligation, then the related Guarantee shall be subordinated in right of payment to the notes or the Note Guarantee, as the case may be, and (b) Non-Guarantor Subsidiaries of Indebtedness Incurred by Non-Guarantor Subsidiaries in accordance with the provisions of the Indenture;
- (4) Indebtedness of the Parent owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Parent or any other Restricted Subsidiary; *provided, however,*
  - (a) if the Issuer is the obligor on Indebtedness owing to a Non-Guarantor Subsidiary, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations with respect to the notes;
  - (b) if a Guarantor is the obligor on such Indebtedness and a Non-Guarantor Subsidiary is the obligee, such Indebtedness is expressly subordinated in right of payment to the Note Guarantee of such Guarantor; and
  - (c) (i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Parent or a Restricted Subsidiary of the Parent; and  
(ii) any sale or other transfer of any such Indebtedness to a Person other than the Parent or a Restricted Subsidiary of the Parentshall be deemed, in each case under this clause (4)(c), to constitute an Incurrence of such Indebtedness by the Parent or such Restricted Subsidiary, as the case may be;
- (5) Indebtedness of Persons Incurred and outstanding on the date on which such Person became a Restricted Subsidiary or was acquired by, or merged into, the Parent or any Restricted Subsidiary (other than Indebtedness Incurred (a) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was

otherwise acquired by the Parent or (b) otherwise in connection with, or in contemplation of, such acquisition); *provided, however*, that at the time such Person is acquired, the Parent would have been able to Incur US\$1.00 of additional Indebtedness pursuant to the first three paragraphs of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this clause (5);

- (6) Indebtedness Incurred by the Parent or its Restricted Subsidiaries in respect of workers' compensation claims, health, disability or other employee benefits or property, casualty or liability insurance, self insurance obligations, performance, bid, surety and similar bonds and completion Guarantees (not for borrowed money) provided in the ordinary course of business;
- (7) Indebtedness arising from agreements of the Parent or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, Incurred or assumed in connection with the disposition of any business or assets of the Parent or any business, assets or Capital Stock of a Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or a Subsidiary for the purpose of financing such acquisition; provided that:
  - (a) the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds, including non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to subsequent changes in value) actually received by the Parent and its Restricted Subsidiaries in connection with such disposition; and
  - (b) such Indebtedness is not reflected on the balance sheet of the Parent or any of its Restricted Subsidiaries (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet for purposes of this clause (7));
- (8) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (including daylight overdrafts paid in full by the close of business on the day such overdraft was Incurred) drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within five Business Days of Incurrence;
- (9) Indebtedness of the Parent or any of its Restricted Subsidiaries to the extent the net proceeds thereof are promptly used to redeem the notes in full or deposited to defease or discharge the notes, in each case in accordance with the Indenture;
- (10) Indebtedness under Hedging Obligations that are Incurred for hedging purposes (and not for speculative purposes);
- (11) the Incurrence or issuance by the Parent or any Restricted Subsidiary of Refinancing Indebtedness that serves to refund or refinance any Indebtedness Incurred as permitted under the first three paragraphs of this covenant and clauses (1), (2), (5), (6) and this clause (11) of the fourth paragraph of this covenant, or any Indebtedness issued to so refund or refinance such Indebtedness, including additional Indebtedness Incurred to pay premiums (including reasonable, as determined in good faith by the Parent, tender premiums), defeasance costs, accrued interest and fees and expenses in connection therewith; and
- (12) in addition to the items referred to in clauses (1) through (11) above, Indebtedness of the Parent and the Subsidiary Guarantors in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 5.0% of Total Assets at any time outstanding.

The Issuer will not Incur any Indebtedness under the preceding paragraph if the proceeds thereof are used, directly or indirectly, to refinance any Subordinated Obligations of the Issuer unless such Indebtedness will be subordinated to the notes to at least the same extent as such Subordinated Obligations. No Guarantor will Incur any Indebtedness under the preceding paragraph if the proceeds thereof are used, directly or indirectly, to refinance any Guarantor Subordinated Obligations of such Guarantor unless such Indebtedness will be subordinated to the obligations of such Guarantor under its Note Guarantee to at least the same extent as such Guarantor Subordinated Obligations. No Restricted Subsidiary (other than a Subsidiary Guarantor) may Incur any Indebtedness if the proceeds are used to refinance Indebtedness of the Parent, the Issuer or a Subsidiary Guarantor.



For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

- (1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the second paragraph of this covenant, the Issuer, in its sole discretion, will classify such item of Indebtedness on the date of Incurrence and may later reclassify such item of Indebtedness in any manner that complies with the second paragraph of this covenant and will be entitled to divide the amount and type of such Indebtedness among more than one of such clauses under the second paragraph of this covenant;
- (2) Guarantees of, or obligations in respect of letters of credit relating to, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (3) the principal amount of any Disqualified Stock of the Parent or a Restricted Subsidiary, or Preferred Stock of a Non-Guarantor Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;
- (4) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and
- (5) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the amortization of debt discount, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value thereof, in the case of any Indebtedness issued with original issue discount, or the aggregate principal amount outstanding, in the case of Indebtedness issued with interest payable in-kind, and (ii) the principal amount or liquidation preference thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

In addition, the Parent will not permit any of its Unrestricted Subsidiaries to Incur any Indebtedness or issue any Disqualified Stock, other than Non-Recourse Debt. If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under this “—Limitation on Indebtedness” covenant, the Parent shall be in Default of this covenant).

For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar equivalent principal amount of Indebtedness denominated in Peruvian soles or any other foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* that, if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Parent and its Restricted Subsidiaries may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

### ***Maintenance of Unencumbered Assets***

The Parent and its Restricted Subsidiaries will maintain at all times Unencumbered Assets of not less than 150% of the aggregate principal amount of the consolidated Unsecured Indebtedness of the Parent and its Restricted Subsidiaries.

### ***Limitation on Restricted Payments***

The Parent will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

- (1) declare or pay any dividend or make any distribution (whether made in cash, securities or other property) on or in respect of its or any of its Restricted Subsidiaries' Capital Stock (including any payment in connection with any merger or consolidation involving the Parent or any of its Restricted Subsidiaries) other than:
  - (a) dividends or distributions payable solely in Capital Stock of the Parent (other than Disqualified Stock); and
  - (b) dividends or distributions by a Restricted Subsidiary, so long as, in the case of any dividend or distribution payable on or in respect of any Capital Stock issued by a Restricted Subsidiary that is not a Wholly Owned Subsidiary, the Parent or the Restricted Subsidiary holding such Capital Stock receives at least its *pro rata* share of such dividend or distribution;
- (2) purchase, redeem, retire or otherwise acquire for value, including in connection with any merger or consolidation, any Capital Stock of the Parent held by Persons other than the Parent or a Restricted Subsidiary (other than in exchange for Capital Stock of the Parent (other than Disqualified Stock));
- (3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to any scheduled repayment, scheduled sinking fund payment or scheduled maturity, any Subordinated Obligations or Guarantor Subordinated Obligations, other than
  - (a) Indebtedness of the Issuer owing to and held by any Guarantor or Indebtedness of a Subsidiary Guarantor owing to and held by the Issuer or any other Subsidiary Guarantor permitted under clause (4) of the fourth paragraph of the covenant "Limitation on Indebtedness"; or
  - (b) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations or Guarantor Subordinated Obligations of any Subsidiary Guarantor purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement); or
- (4) make any Restricted Investment

(all such payments and other actions referred to in clauses (1) through (4) above (other than any exception thereto) shall be referred to as a "*Restricted Payment*"), unless, at the time of and after giving effect to such Restricted Payment:

- (a) no Default shall have occurred and be continuing (or would result therefrom);
- (b) immediately after giving effect to such transaction on a *pro forma* basis, the Parent could Incur US\$1.00 of additional Indebtedness under the provisions of the first three paragraphs of the covenant described under "—Limitation on Indebtedness"; and
- (c) the aggregate amount of such Restricted Payment and all other Restricted Payments declared or made subsequent to the Issue Date would not exceed the sum of (without duplication):
  - (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from January 1, 2014 to the end of the Latest Completed Quarter ending prior to the date of such Restricted Payment (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit); plus
  - (ii) 100% of the aggregate Net Cash Proceeds and the Fair Market Value of marketable securities or other property received by the Parent from the issue or sale of its Capital Stock (other than Disqualified Stock) or other capital contributions subsequent to the Issue Date, other than:

- (x) Net Cash Proceeds received from an issuance or sale of such Capital Stock to a Subsidiary of the Parent or to an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or Guaranteed by the Parent or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination; and
  - (y) Net Cash Proceeds received by the Parent from the issue and sale of its Capital Stock or capital contributions to the extent applied to redeem notes in compliance with the provisions set forth under “—Optional Redemption—Optional Redemption Upon Equity Offerings”; plus
- (iii) the amount by which Indebtedness of the Parent or its Restricted Subsidiaries is reduced on the Parent’s consolidated balance sheet upon the conversion or exchange (other than debt held by a Subsidiary of the Parent) subsequent to the Issue Date of any Indebtedness of the Parent or its Restricted Subsidiaries convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Parent (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Parent upon such conversion or exchange); plus
- (iv) the amount equal to the net reduction in Restricted Investments made by the Parent or any of its Restricted Subsidiaries in any Person resulting from:
- (x) repurchases or redemptions of such Restricted Investments by such Person, proceeds realized upon the sale of such Restricted Investment to an unaffiliated purchaser, repayments of loans or advances or other transfers of assets (including by way of dividend or distribution) by such Person to the Parent or any Restricted Subsidiary (other than for reimbursement of tax payments); or
  - (y) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries or the merger or consolidation of an Unrestricted Subsidiary with and into the Parent or any of its Restricted Subsidiaries (valued in each case as provided in the definition of “Investment”) not to exceed the amount of Investments previously made by the Parent or any Restricted Subsidiary in such Unrestricted Subsidiary,

which amount in each case under this clause (iv) was included in the calculation of the amount of Restricted Payments; *provided, however*, that no amount will be included under this clause (iv) to the extent it is already included in Consolidated Net Income.

The provisions of the preceding paragraph will not prohibit:

- (1) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock or Subordinated Obligations of the Issuer or Guarantor Subordinated Obligations of any Guarantor made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Parent (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary or an employee stock ownership plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or Guaranteed by the Parent or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination); *provided, however*, that the Net Cash Proceeds from such sale of Capital Stock will be excluded from clause (c)(ii) of the preceding paragraph;
- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations of the Issuer or Guarantor Subordinated Obligations of any Guarantor made by exchange for, or out of the proceeds of the substantially concurrent sale of, Subordinated Obligations of the Issuer or any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Guarantor Subordinated Obligations of any Guarantor made by exchange for or out of the proceeds of the substantially concurrent sale of Guarantor Subordinated Obligations of a Subsidiary Guarantor so long as such refinancing Subordinated Obligations or Guarantor Subordinated Obligations are permitted to be Incurred pursuant to the covenant described under “—Limitation on Indebtedness” and constitute Refinancing Indebtedness;
- (3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Parent or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Disqualified Stock of the Parent or such Restricted Subsidiary, as the case may be, so

long as such refinancing Disqualified Stock is permitted to be Incurred pursuant to the covenant described under “—Limitation on Indebtedness” and constitutes Refinancing Indebtedness;

- (4) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Obligation (a) at a purchase price not greater than 101% of the principal amount of such Subordinated Obligation in the event of a Change of Control in accordance with provisions similar to the “—Repurchase at the Option of Holders—Change of Control” covenant or (b) at a purchase price not greater than 100% of the principal amount thereof in accordance with provisions similar to the “—Repurchase at the Option of Holders—Asset Sales” covenant; *provided* that, prior to or simultaneously with such purchase, repurchase, redemption, defeasance or other acquisition or retirement, the Issuer or the Parent has made the Change of Control Offer or Asset Disposition Offer, as applicable, as provided in such covenant with respect to the notes and has completed the repurchase or redemption of all notes validly tendered for payment in connection with such Change of Control Offer or Asset Disposition Offer;
- (5) any purchase or redemption of Subordinated Obligations or Guarantor Subordinated Obligations from Net Available Cash to the extent permitted under “—Repurchase at the Option of Holders—Asset Sales”;
- (6) dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this provision;
- (7) the purchase, redemption or other acquisition, cancellation or retirement for value of Capital Stock or equity appreciation rights of the Parent held by any existing or former employees or management of the Parent or any Subsidiary of the Parent or their assigns, estates or heirs, in each case in connection with the repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate management employees approved by the Board of Directors of the Parent; provided that such Capital Stock or equity appreciation rights were received for services related to, or for the benefit of, the Parent and its Restricted Subsidiaries; and *provided, further*, that such redemptions or repurchases pursuant to this clause will not exceed US\$2.0 million in the aggregate during any calendar year (with any unused amounts in any calendar year being carried over to the immediately succeeding calendar year subject to a maximum of US\$5.0 million in any calendar year), although such amount in any calendar year may be increased by an amount not to exceed:
  - (a) the Net Cash Proceeds from the sale of Capital Stock (other than Disqualified Stock) of the Parent to existing or former employees or members of management of the Parent that occurs after the Issue Date, to the extent the Net Cash Proceeds from the sale of such Capital Stock have not otherwise been applied to the payment of Restricted Payments; plus
  - (b) the cash proceeds of key man life insurance policies received by the Parent or its Restricted Subsidiaries after the Issue Date; less
  - (c) the amount of any Restricted Payments previously made with the Net Cash Proceeds described in clauses (a) and (b) of this clause (7);
- (8) the declaration and payment of dividends to holders of any class or series of Disqualified Stock of the Parent issued in accordance with the terms of the Indenture to the extent such dividends are included in the definition of “Consolidated Interest Expense”;
- (9) repurchases of Capital Stock deemed to occur upon the exercise of stock options, warrants, other rights to purchase Capital Stock or other convertible securities if such Capital Stock represents a portion of the exercise price thereof, and Restricted Payments by the Parent or the Issuer to allow the payment of cash in lieu of the issuance of fractional shares upon the exercise of options or warrants or upon the conversion or exchange of Capital Stock;
- (10) other Restricted Payments in an aggregate amount, when taken together with all other Restricted Payments made pursuant to this clause (10) not to exceed US\$15.0 million at any time outstanding;

*provided, however*, that at the time of and after giving effect to, any Restricted Payment permitted under clauses (5), (7), (8) and (10), no Default shall have occurred and be continuing or would occur as a consequence thereof.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of such Restricted Payment of the assets or securities proposed to be transferred or issued by the Parent or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment; provided that such determination of Fair Market Value shall be based upon an opinion or appraisal issued by an Independent Financial Advisor if such Fair Market Value is estimated in good faith by the Board of Directors of the Parent or an authorized committee thereof to exceed US\$20.0 million. The amount of all Restricted Payments paid in cash shall be its face amount. Not later than the date of making any Restricted Payment, the Parent shall deliver to the Indenture Trustee an Officer's Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by the covenant "—Limitation on Restricted Payments" were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

As of the Issue Date, all of the Parent's Subsidiaries will be Restricted Subsidiaries (including the Issuer, Interproperties Trust, Interproperties Puerta del Sol and Inmobiliaria Puerta del Sol). The Parent will not permit any Unrestricted Subsidiary to become a Restricted Subsidiary except pursuant to the last sentence of the definition of "Unrestricted Subsidiary." For purposes of designating any Restricted Subsidiary (other than the Issuer) as an Unrestricted Subsidiary, all outstanding Investments by the Parent and its Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount determined as set forth in the definition of "Investment." Such designation will be permitted only if a Restricted Payment in such amount would be permitted at such time and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants set forth in the Indenture.

***Limitation on Restrictions on Distributions from Restricted Subsidiaries***

The Parent will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (1) pay dividends or make any other distributions on its Capital Stock to the Parent or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness or other obligations owed to the Parent or any Restricted Subsidiary (it being understood that the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock shall not be deemed a restriction on the ability to make distributions on Capital Stock);
- (2) make any loans or advances to the Parent or any Restricted Subsidiary (it being understood that the subordination of loans or advances made to the Parent or any Restricted Subsidiary to other Indebtedness Incurred by the Parent or any Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances); or
- (3) sell, lease or transfer any of its property or assets to the Parent or any Restricted Subsidiary (it being understood that such transfers shall not include any type of transfer described in clause (1) or (2) above).

The preceding provisions will not prohibit encumbrances or restrictions existing under or by reason of:

- (a) contractual encumbrances or restrictions pursuant to agreements or instruments in effect at or entered into on the Issue Date;
- (b) the Indenture, the notes and the Note Guarantees;
- (c) any agreement or other instrument of a Person acquired by the Parent or any of its Restricted Subsidiaries in existence at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person and its Subsidiaries, or the property or assets of the Person and its Subsidiaries, so acquired (including after acquired property);
- (d) any amendment, restatement, modification, renewal, supplement, refunding, replacement or refinancing of an agreement referred to in clauses (a), (b) or (c) of this paragraph or this clause (d); *provided, however,*

that such amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Parent, no more restrictive than the encumbrances and restrictions contained in the agreements referred to in clauses (a), (b) or (c) of this paragraph on the Issue Date or the date such Restricted Subsidiary became a Restricted Subsidiary or was merged into a Restricted Subsidiary, whichever is applicable;

- (e) any limitation on a sale of assets in Secured Indebtedness permitted under the provisions of the covenants described under “—Limitation on Indebtedness—Secured Indebtedness Test” and “—Maintenance of Unencumbered Assets”;
- (f) purchase money obligations for property acquired in the ordinary course of business and Capitalized Lease Obligations permitted under the Indenture, in each case that impose encumbrances or restrictions of the nature described in clause (3) of the first paragraph of this covenant on the property so acquired;
- (g) contracts for the sale of assets, including customary restrictions with respect to a Subsidiary of the Parent pursuant to an agreement that has been entered into for the sale or disposition of all or a portion of the Capital Stock or assets of such Subsidiary;
- (h) any customary provisions in joint venture agreements relating to joint ventures that are not Restricted Subsidiaries and other similar agreements entered into in the ordinary course of business and with the approval of the Board of Directors;
- (i) any customary provisions in leases, subleases or licenses and other agreements entered into by the Parent or any Restricted Subsidiary in the ordinary course of business;
- (j) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order; and
- (k) other Indebtedness Incurred or Preferred Stock issued by a Subsidiary Guarantor in accordance with the covenant described under “—Limitation on Indebtedness” that, in the good faith judgment of the Parent, are not more restrictive, taken as a whole, than those applicable to the Parent in the Indenture on the Issue Date (which results in encumbrances or restrictions at a Restricted Subsidiary level comparable to those applicable to the Parent).

#### ***Limitation on Affiliate Transactions***

The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or asset or the rendering of any service) with any Affiliate of the Issuer (an “*Affiliate Transaction*”), unless:

- (1) the terms of such Affiliate Transaction are no less favorable to the Parent or such Restricted Subsidiary, as the case may be, than those that could reasonably be expected to have been obtained by the Parent or such Restricted Subsidiary in a comparable transaction at the time of such transaction on an arms’ length basis with a Person that is not an Affiliate of the Parent;
- (2) in the event such Affiliate Transaction involves an aggregate consideration in excess of US\$10.0 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Parent (including a majority of the disinterested members thereof, if any) and such majority or majorities, as the case may be, determines that such Affiliate Transaction satisfies the criteria in clause (1) above; and
- (3) in the event such Affiliate Transaction involves an aggregate consideration in excess of US\$30.0 million, the Parent has received a written opinion from an Independent Financial Advisor stating that such Affiliate Transaction is not materially less favorable than those that could reasonably be expected to have been obtained by the Parent or such Restricted Subsidiary in a comparable transaction at the time of such transaction on an arms’ length basis with a Person that is not an Affiliate of the Parent.

The preceding paragraph will not apply to:

- (1) any transaction between the Parent and a Restricted Subsidiary or between Restricted Subsidiaries, and any Guarantees issued by the Parent or a Restricted Subsidiary for the benefit of the Parent or a Restricted Subsidiary, as the case may be, in accordance with “—Limitation on Indebtedness”;
- (2) any Restricted Payment permitted to be made pursuant to the covenant described under “—Limitation on Restricted Payments” and the definition of “Permitted Investments” (other than pursuant to clauses (2) and (15) thereof);
- (3) any issuance of securities or other payments, awards or grants in cash, securities or otherwise pursuant to, or as the funding of, employment agreements and other compensation arrangements, options to purchase Capital Stock of the Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits plans and/or indemnity provided on behalf of officers and employees approved by the Board of Directors of the Parent;
- (4) the payment of reasonable and customary fees paid to, and indemnity provided on behalf of, directors or officers of the Parent or any Restricted Subsidiary;
- (5) loans or advances to employees, officers or directors of the Parent or any Restricted Subsidiary in the ordinary course of business consistent with past practices, in an aggregate amount not in excess of US\$2.0 million (without giving effect to the forgiveness of any such loan);
- (6) any agreement as in effect as of the Issue Date, as these agreements may be amended, modified, supplemented, extended or renewed from time to time, so long as any such amendment, modification, supplement, extension or renewal is not more disadvantageous to the Holders in any material respect in the good faith judgment of the Board of Directors of the Parent, when taken as a whole, than the terms of the agreements in effect on the Issue Date;
- (7) any agreement between any Person and an Affiliate of such Person existing at the time such Person is acquired by or merged into the Parent or a Restricted Subsidiary; provided that such agreement was not entered into in contemplation of such acquisition or merger, and any amendment thereto (so long as any such amendment is not disadvantageous to the Holders in the good faith judgment of the Board of Directors of the Parent, when taken as a whole, as compared to the applicable agreement as in effect on the date of such acquisition or merger);
- (8) transactions with customers, clients, suppliers, joint venture partners or purchasers or sellers of goods or services (including, but not limited to, tenants in the shopping centers), in each case in the ordinary course of the business of the Parent and its Restricted Subsidiaries and otherwise in compliance with the terms of the Indenture; provided that in the reasonable determination of the members of the Board of Directors or Senior Management of the Parent, such transactions are on terms that are no less favorable to the Parent or the relevant Restricted Subsidiary than those that could reasonably be expected to have been obtained at the time of such transactions in a comparable transaction by the Parent or such Restricted Subsidiary with an unrelated Person; and
- (9) any issuance or sale of Capital Stock (other than Disqualified Stock) to Affiliates of the Parent and the granting and performance of registration and other customary rights in connection therewith.

### ***Reports***

So long as any notes are outstanding, the Parent will furnish or cause to be furnished to the Indenture Trustee:

- (a) within 120 days following the end of each fiscal year of the Parent, audited consolidated income statements, balance sheets, statements of shareholders equity and cash flow statements and the related notes thereto for the Parent on a consolidated basis for the two most recent fiscal years in accordance with IFRS, together with an audit report thereon by the Parent’s independent auditors, and together with a discussion

and analysis similar to the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of this offering memorandum for such fiscal years; and

- (b) within 60 days following the end of each of the three fiscal quarters ending on March 31, June 30 and September 30 in each of the Parent’s fiscal years quarterly reports containing unaudited consolidated balance sheets, statements of income and the related notes thereto for the Parent on a consolidated basis, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with IFRS, together with a discussion and analysis similar to the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of this offering memorandum for such quarterly period.

In addition, the Parent, on its behalf and on behalf of the Issuer, will furnish to the Holders of the notes and to prospective investors, upon the requests of such Holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the notes are not freely transferable under the Exchange Act by Persons who are not “affiliates” under the Securities Act.

If and so long as the notes are listed on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, copies of such reports furnished to the Indenture Trustee will also be made available to the Paying Agent in Luxembourg.

The information required to be furnished pursuant to the three first paragraphs shall be furnished in the English language. The Parent may fulfill the reporting obligations provided in the three preceding paragraphs by notifying the Indenture Trustee in writing of the posting on its public website the information required thereby.

#### **Limitation on Activities of Parent and its Restricted Subsidiaries**

The Parent and its Restricted Subsidiaries will not engage in any business other than a Similar Business.

#### ***Maintenance of Properties***

The Parent will cause all properties used or useful in the conduct of its business or the business of any of its Restricted Subsidiaries to be maintained and kept in good condition, repair and working order as in the judgment of the Parent may be necessary so that the business of the Parent and its Restricted Subsidiaries may be properly conducted at all times; *provided* that nothing in this paragraph prevents the Parent or any Restricted Subsidiary from discontinuing the use, operation or maintenance of any of such properties or disposing of any of them, if such discontinuance or disposal is, in the judgment of the Parent, desirable in the conduct of the business of the Parent or any of its Restricted Subsidiaries.

#### ***Insurance***

The Parent will, and will cause its Restricted Subsidiaries to, maintain property and casualty insurance or self-insurance with respect to its material operating assets against such risks and in such amounts as in the judgment of the Parent is reasonable and appropriate for similarly situated businesses.

#### ***Listing***

In the event that the notes are listed on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market, the Issuer will use its commercially reasonable efforts to maintain such admission to listing and trading; provided that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the “*Transparency Directive*”) or any legislation implementing the Transparency Directive the Parent could be required to publish financial information more regularly than either the Parent otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Parent would otherwise use to prepare its published financial information, the Issuer may delist the notes therefrom in accordance with the rules of the Luxembourg Stock Exchange and may seek an alternative admission to listing, trading and/or quotation for the notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as the Issuer may decide.



### ***Merger and Consolidation***

Neither the Parent nor the Issuer will consolidate with or merge with or into or wind up into (whether or not the Parent or the Issuer is the surviving corporation), or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets, in one or more related transactions, to any Person unless:

- (1) the resulting, surviving or transferee Person (the “*Successor Company*”) is a Person (other than an individual) organized and validly existing under the laws of Panama, Peru, the United States or any state or territory thereof, or any other jurisdiction whose sovereign debt is rated BBB or higher by Standard & Poor’s Ratings Group, Inc. and Baa2 or higher by Moody’s Investors Service, Inc.;
- (2) the Successor Company (if other than the Parent or the Issuer) expressly assumes all of the obligations of the Issuer under the notes and the Indenture or the Parent under its Note Guarantee and the Indenture, as applicable, pursuant to a supplemental indenture or other documents or instruments in form reasonably satisfactory to the Indenture Trustee;
- (3) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;
- (4) immediately after giving *pro forma* effect to such transaction and any related financing transactions, as if such transactions had occurred at the beginning of the applicable four quarter period,
  - (a) the Successor Company would be able to Incur at least US\$1.00 of additional Indebtedness pursuant to the first three paragraphs of the covenant described under “—Limitation on Indebtedness,” or
  - (b) the ratio of Consolidated Adjusted EBITDA to Consolidated Interest Expense for the Successor Company and its Restricted Subsidiaries on a consolidated basis would be no less than such ratio for the Parent and its Restricted Subsidiaries on a consolidated basis immediately prior to such transaction;
- (5) each Guarantor (unless it is the other party to the transactions above, in which case clause (1) of the following paragraph shall apply) shall have by supplemental indenture confirmed that its Note Guarantee shall apply to such Successor Company’s obligations under the Indenture and the notes; and
- (6) the Parent or the Issuer, as applicable, shall have delivered to the Indenture Trustee an Officer’s Certificate and an Opinion of Counsel, each stating that such consolidation, merger, winding up or disposition, and such supplemental indenture, if any, comply with the Indenture.

Subject to certain limitations, the Successor Company will succeed to, and be substituted for, the Issuer under the Indenture and the notes or the Parent under the Indenture and the Note Guarantee, as applicable.

Notwithstanding clauses (3) and (4) of the preceding paragraph,

- (1) any Restricted Subsidiary may consolidate with, merge with or into or transfer all or part of its properties and assets to the Parent or the Issuer so long as no Capital Stock of the Restricted Subsidiary is distributed to any Person other than the Parent or the Issuer; *provided* that, in the case of a Restricted Subsidiary that merges into the Parent or the Issuer, the Parent or the Issuer will not be required to comply with clause (6) of the preceding paragraph;
- (2) any Non-Guarantor Subsidiary may consolidate with or merge into or transfer all or part of its properties and assets to the Parent, the Issuer or a Subsidiary Guarantor.

In addition, neither the Parent nor the Issuer will permit any Subsidiary Guarantor to consolidate with or merge with or into or wind up into (whether or not such Subsidiary Guarantor is the surviving corporation), or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets, in one or more related transactions, to any Person (other than to the Parent, the Issuer or another Subsidiary Guarantor) unless:

- (1) (a) if such entity remains a Guarantor, the resulting, surviving or transferee Person (the “*Successor Guarantor*”) is a Person (other than an individual) organized and validly existing under the laws of Peru, the United States or any state or territory thereof, or any other jurisdiction whose sovereign debt is rated

BBB or higher by Standard & Poor's Ratings Group, Inc. and Baa2 or higher by Moody's Investors Service, Inc.;

- (b) the Successor Guarantor, if other than such Guarantor, expressly assumes all the obligations of such Guarantor under the Indenture and its Note Guarantee pursuant to a supplemental indenture or other documents or instruments in form reasonably satisfactory to the Indenture Trustee;
  - (c) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing; and
  - (d) the Issuer will have delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, winding up or disposition and such supplemental indenture (if any) comply with the Indenture; and
- (2) the transaction is made in compliance with the covenant described under “—Repurchase at the Option of Holders—Asset Sales” (it being understood that only such portion of the Net Available Cash as is required to be applied on the date of such transaction in accordance with the terms of the Indenture needs to be applied in accordance therewith at such time).

Subject to certain limitations described in the Indenture, the Successor Guarantor will succeed to, and be substituted for, such Guarantor under the Indenture and the Note Guarantee of such Guarantor.

Notwithstanding the foregoing, any Subsidiary Guarantor may merge with or into or transfer all or part of its properties and assets to a Subsidiary Guarantor, the Parent or the Issuer or merge with a Restricted Subsidiary of the Parent solely for the purpose of reincorporating the Subsidiary Guarantor in the jurisdiction of such Subsidiary Guarantor, a state or territory of Peru, the United States or any state or territory thereof, or any other jurisdiction whose sovereign debt is rated BBB or higher by Standard & Poor's Ratings Group, Inc. and Baa2 or higher by Moody's Investors Service, Inc., so long as the amount of Indebtedness of such Subsidiary Guarantor and its Restricted Subsidiaries is not increased thereby, and the resulting entity remains or becomes a Subsidiary Guarantor.

For purposes of this covenant, the sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Parent, which properties and assets, if held by the Parent instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Parent on a consolidated basis, will be deemed to be the disposition of all or substantially all of the properties and assets of the Parent.

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The Parent, the Issuer and a Subsidiary Guarantor, as the case may be, will be released from its obligations under the Indenture, the notes and its Note Guarantee, as the case may be, and the Successor Company and the Successor Guarantor, as the case may be, will succeed to, and be substituted for, and may exercise every right and power of, the Parent, the Issuer or a Guarantor, as the case may be, under the Indenture, the notes and such Note Guarantee; *provided* that, in the case of a lease of all or substantially all its assets, the Issuer will not be released from the obligation to pay the principal of and interest on the notes, and a Guarantor will not be released from its obligations under its Note Guarantee.

### **Future Guarantors**

The Parent will cause (1) each Restricted Subsidiary that Guarantees, at any time after the Issue Date, any Indebtedness of the Parent, the Issuer or any Subsidiary Guarantor, and (2) each Subsidiary (other than Interproperties Peru, Interproperties Puerta del Sol and Inmobiliaria Puerta del Sol) that becomes a Significant Subsidiary and Incurs any Indebtedness, at any time after the Issue Date, in each case to execute and deliver to the Indenture Trustee, promptly and in any event within 20 Business Days of issuing such Guarantee or becoming a Significant Subsidiary and incurring any Indebtedness, as applicable, a supplemental indenture to the Indenture pursuant to which such Subsidiary will irrevocably and unconditionally Guarantee, on a joint and several basis, the

full and prompt payment of the principal of, premium, if any, and interest in respect of the notes on an unsecured, senior basis and all other obligations under the Indenture.

The obligations of each Subsidiary Guarantor will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Subsidiary Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Subsidiary Guarantor in respect of the obligations of such other Subsidiary Guarantor under its Note Guarantee or pursuant to its contribution obligations under the Indenture, result in the obligations of such Subsidiary Guarantor under its Note Guarantee not constituting a fraudulent conveyance or fraudulent transfer under applicable law.

Each Note Guarantee (other than the Note Guarantee provided by the Parent) shall be released in accordance with the provisions of the Indenture described under “—Note Guarantees.”

### **Payments for Consent**

Neither the Parent nor the Issuer will, nor will they permit any of their respective Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the notes or any Note Guarantee unless such consideration is offered to be paid and is paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

### **Events of Default**

Each of the following is an “*Event of Default*”:

- (1) default in any payment of interest (including any related Additional Amounts) on any note when due, continued for 30 days;
- (2) default in the payment of principal of, or premium, if any, on any note (including, in each case, any related Additional Amounts) when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure by the Issuer or any Guarantor to comply with its obligations under “—Certain Covenants—Merger and Consolidation”;
- (4) failure by the Issuer or any Guarantor to comply for 30 days after notice as provided below with any of their obligations under the covenants described under “—Repurchase at the Option of Holders”;
- (5) failure by the Issuer or any Guarantor to comply for 60 days after notice as provided below with its other agreements contained in the Indenture or the notes;
- (6) default under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by the Parent or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Parent or any of its Restricted Subsidiaries), other than Indebtedness owed to the Parent or a Restricted Subsidiary, whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:
  - (a) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness (“*payment default*”); or
  - (b) results in the acceleration of such Indebtedness prior to its maturity (the “*cross acceleration provision*”);and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates US\$10.0 million or more (or its foreign currency equivalent);
- (7) failure by the Parent or any Restricted Subsidiary to pay final judgments aggregating in excess of US\$10.0 million (or its foreign currency equivalent) (net of any amounts that a reputable and creditworthy insurance

company has acknowledged liability for in writing), which judgments are not paid, discharged or stayed for a period of 60 days or more after such judgment becomes final (the “*judgment default provision*”);

- (8) the entering of a decree or order by a court (or equivalent authority) having jurisdiction adjudging the Parent or any of its Restricted Subsidiaries as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of or by the Parent or any of its Restricted Subsidiaries, and such decree or order continuing to be undischarged or unstayed for a period of 60 days; the entering of a decree or order of a court (or equivalent authority) having jurisdiction for the appointment of a receiver or liquidator or for the liquidation or dissolution of the Parent or any of its Restricted Subsidiaries, and such decree or order continuing to be undischarged and unstayed for a period of 60 days; the institution by the Parent or any of its Restricted Subsidiaries of any proceeding to be adjudicated as voluntary bankrupt, liquidated or dissolved, or their respective consent to the filing of a bankruptcy, liquidation or dissolution proceeding against any of them, or the filing of a petition or answer or consent seeking reorganization, or the consent to the filing of any such petition or appointment of a receiver or liquidator or trustee or assignee in bankruptcy, liquidation, dissolution or insolvency of the Parent or any of its Restricted Subsidiaries or of any substantial part of their respective property (the “*bankruptcy provisions*”); or
- (9) any Note Guarantee of Parent or a Significant Subsidiary or any group of Subsidiary Guarantors that, taken together (as of the date of the latest audited consolidated financial statements of the Parent and its Restricted Subsidiaries), would constitute a Significant Subsidiary ceases to be in full force and effect (except as contemplated by the terms of the Indenture) or is declared null and void in a judicial proceeding or Parent or any Subsidiary Guarantor that is a Significant Subsidiary or any group of Subsidiary Guarantors that, taken together (as of the date of the latest audited consolidated financial statements of the Parent and its Restricted Subsidiaries), would constitute a Significant Subsidiary denies or disaffirms its obligations under the Indenture or its Note Guarantee.

However, a default under clauses (4) and (5) of this paragraph will not constitute an Event of Default until the Indenture Trustee or the Holders of 25% in principal amount of the then outstanding notes notify the Issuer of the default and the Parent or the Issuer do not cure such default within the time specified in clauses (4) and (5) of this paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (8) above) occurs and is continuing, the Indenture Trustee by written notice to the Issuer, specifying the Event of Default, or the Holders of at least 25% in principal amount of the then outstanding notes by notice to the Issuer and the Indenture Trustee, may, and the Indenture Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, if any, on all the notes to be due and payable. Upon such a declaration, such principal, premium, if any, and accrued and unpaid interest, if any, will be due and payable immediately. In the event of a declaration of acceleration of the notes because an Event of Default described in clause (6) under “—Events of Default” has occurred and is continuing, the declaration of acceleration of the notes shall be automatically annulled if the default triggering such Event of Default pursuant to clause (6) shall be remedied or cured by the Parent or a Restricted Subsidiary or waived by the holders of the relevant Indebtedness within 20 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium, if any, or interest on the notes that became due solely because of the acceleration of the notes, have been cured or waived. If an Event of Default described in clause (8) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, if any, on all the notes will become and be immediately due and payable without any declaration or other act on the part of the Indenture Trustee or any Holders. The Holders of a majority in principal amount of the outstanding notes may waive all past defaults (except with respect to nonpayment of principal, premium or interest) and rescind any such acceleration with respect to the notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the notes that have become due solely by such declaration of acceleration, have been cured or waived.

Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no Holder may pursue any remedy with respect to the Indenture or the notes unless:

- (1) such Holder has previously given the Indenture Trustee notice that an Event of Default is continuing;

- (2) Holders of at least 25% in principal amount of the then outstanding notes have requested the Indenture Trustee to pursue the remedy;
- (3) such Holders have offered the Indenture Trustee security or indemnity reasonably satisfactory to the Indenture Trustee against any loss, liability or expense;
- (4) the Indenture Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and
- (5) the Holders of a majority in principal amount of the then outstanding notes have not given the Indenture Trustee a direction that, in the opinion of the Indenture Trustee, is inconsistent with such request within such 60 day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the then outstanding notes may direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee or of exercising any trust or power conferred on the Indenture Trustee. The Indenture provides that in the event an Event of Default has occurred and is continuing, the Indenture Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use under the circumstances in the conduct of its own affairs. The Indenture Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture, the notes or any Note Guarantee, or that the Indenture Trustee determines in good faith is unduly prejudicial to the rights of any other Holder or that would involve the Indenture Trustee in personal liability.

If an Event of Default occurs and is continuing, the Indenture Trustee will be under no obligation to exercise any of the rights or powers under the Indenture, the notes and the Note Guarantees at the request or direction of any of the Holders unless such Holders have offered to the Indenture Trustee indemnity or security reasonably satisfactory to it against any loss, liability or expense.

The Indenture provides that if a Default occurs and is continuing and is known to a responsible officer of the Indenture Trustee, the Indenture Trustee will give to each Holder notice of the Default within 90 days after a responsible officer has received written notice thereof. Except in the case of a Default in the payment of principal of, premium, if any, or interest on any note, the Indenture Trustee may withhold from the Holders notice of any continuing Default if the Indenture Trustee determines in good faith that withholding the notice is in the interests of the Holders. In addition, the Issuer is required to deliver to the Indenture Trustee, within 90 days after the end of each fiscal year ending after the Issue Date, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer also is required to deliver to the Indenture Trustee, within five Business Days after the occurrence thereof, written notice of any events which would constitute a Default or Event of Default, their status and what action the Issuer is taking or proposing to take in respect thereof.

#### **Amendments and Waivers**

Except as provided in the next two succeeding paragraphs, the Indenture, the notes and the Note Guarantees may be amended or supplemented by the Issuer, the Guarantors and the Indenture Trustee with the consent of the Holders of a majority in principal amount of the notes then outstanding (including without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes) and subject to certain exceptions, any past default or compliance with any provisions may be waived with the consent of the Holders of a majority in principal amount of the notes then outstanding (including, without limitation, consents obtained in connection with, a purchase of, or tender offer or exchange offer for, notes). However, without the consent of each Holder of an outstanding note affected, no amendment, supplement or waiver may, among other things:

- (1) reduce the principal amount of notes whose Holders must consent to an amendment, supplement or waiver;
- (2) reduce the stated rate of interest or extend the stated time for payment of interest on any note;
- (3) reduce the principal amount of or extend the Stated Maturity of any note;
- (4) waive a Default or Event of Default in the payment of principal of, premium, if any, or interest on the notes (except a rescission of acceleration of the notes by the Holders of at least a majority in aggregate principal

amount of the then outstanding notes with respect to a nonpayment default and a waiver of the payment default that resulted from such acceleration);

- (5) reduce the premium payable upon the redemption or repurchase of any note or change the time at which any note may be redeemed or repurchased as described above under “—Optional Redemption,” “—Repurchase at the Option of Holders —Change of Control” or “—Repurchase at the Option of Holders—Asset Sales” whether through an amendment or waiver of provisions in the covenants, definitions or otherwise;
- (6) make any note payable in money other than that stated in the note;
- (7) impair the right of any Holder to receive payment of principal of, premium, if any, or interest on such Holder’s Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder’s Notes;
- (8) make any change in the amendment or waiver provisions which require each Holder’s consent;
- (9) make any change in the provisions of the Indenture described under “—Additional Amounts” that adversely affects the rights of Holders or amend the terms of the notes in a way that would result in a loss of exemption from any applicable taxes; or
- (10) modify the Note Guarantees in any manner adverse to the Holders.

Without the consent of any Holder, from time to time the Issuer, the Guarantors and the Indenture Trustee may amend the Indenture, the notes and the Note Guarantees to:

- (1) cure any ambiguity, omission, defect or inconsistency;
- (2) provide for the assumption by a successor of the obligations of the Issuer or any Guarantor under the Indenture or the Note Guarantees in accordance with “—Certain Covenants—Merger and Consolidation”;
- (3) to comply with the rules of any applicable depository;
- (4) add Guarantors with respect to the notes or release a Guarantor from its obligations under its Note Guarantee or the Indenture in accordance with the applicable provisions of the Indenture;
- (5) secure the notes and the Note Guarantees;
- (6) add covenants of Parent and its Restricted Subsidiaries or Events of Default for the benefit of Holders or to make changes that would provide additional rights to the Holders or to surrender any right or power conferred upon the Issuer or any Guarantor;
- (7) make any change that does not adversely affect the legal rights under the Indenture of any Holder;
- (8) evidence and provide for the acceptance of an appointment under the Indenture of a successor trustee; provided that the successor trustee is otherwise qualified and eligible to act as such under the terms of the Indenture;
- (9) conform the text of the Indenture, the notes or the Note Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision of the Indenture, the notes or the Note Guarantees; or
- (10) make any amendment to the provisions of the Indenture relating to the transfer and legending of notes as permitted by the Indenture, including, without limitation to facilitate the issuance and administration of the notes or, if Incurred in compliance with the Indenture, Additional Notes; *provided, however*, that (A) compliance with the Indenture as so amended would not result in notes being transferred in violation of the Securities Act or any applicable securities law and (B) such amendment does not materially and adversely affect the rights of Holders to transfer notes.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment, supplement or waiver. It is sufficient if such consent approves the substance of the proposed amendment or supplement. A consent to any amendment, supplement or waiver under the Indenture by any Holder given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender. After an amendment, supplement or waiver under the Indenture becomes effective, the Issuer is required to give to the Holders a notice briefly describing such amendment, supplement or waiver. However, the failure to give such notice to all the Holders, or any defect in the notice, will not impair or affect the validity of the amendment, supplement or waiver.

### **Defeasance**

The Issuer may, at its option and at any time, elect to have all of its obligations and the obligations of the Guarantors discharged with respect to the outstanding notes issued under the Indenture ("*legal defeasance*"), except for:

- (1) the rights of Holders to receive payments in respect of the principal of, premium, if any, or interest on such notes when such payments are due, solely out of the trust referred to below;
- (2) the Issuer's obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment and money for note payments held in trust;
- (3) the rights, powers, trusts, duties and immunities of the Indenture Trustee, and the obligations of the Issuer and the Guarantors in connection therewith; and
- (4) the legal defeasance provisions of the Indenture.

If the Issuer exercises the legal defeasance option, the Note Guarantees in effect at such time will terminate except with respect to surviving obligations relating to the Indenture Trustee.

The Issuer, at its option and at any time, may terminate the obligations of the Parent and its Restricted Subsidiaries described under "*—Repurchase at the Option of Holders*" and under the covenants described under "*—Certain Covenants*" (other than "*—Merger and Consolidation*") and clause (4) under "*—Certain Covenants—Merger and Consolidation*" above ("*covenant defeasance*").

If the Issuer exercises the covenant defeasance option, the Note Guarantees (other than the Note Guarantee of Parent) in effect at such time will terminate, except with respect to surviving obligations relating to the Indenture Trustee.

The Issuer, at its option and at any time, may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the notes may not be accelerated because of an Event of Default with respect to the notes. If the Issuer exercises its covenant defeasance option, payment of the notes may not be accelerated because of an Event of Default specified in clause (3) (only with respect to the failure of the Issuer to comply with clause (4) under "*—Certain Covenants—Merger and Consolidation*" above), (4) (only with respect to covenants that are released as a result of such covenant defeasance), (5) (only with respect to covenants that are released as a result of such covenant defeasance), (6), (7), (8) (with respect only to Significant Subsidiaries or any group of Restricted Subsidiaries that, taken together (as of the date of the latest audited consolidated financial statements of the Issuer and its Restricted Subsidiaries) would constitute a Significant Subsidiary) or (9) under "*—Events of Default*" above.

In order to exercise either legal defeasance or covenant defeasance under the Indenture:

- (1) the Issuer must irrevocably deposit with the Indenture Trustee, in trust, for the benefit of the Holders, cash in U.S. dollars, U.S. Government Securities, or a combination thereof, in amounts as will be sufficient, in the written opinion of a nationally recognized firm of independent public accountants delivered to the Indenture Trustee without consideration of any reinvestment of interest, to pay the principal of, and premium, if any, and interest due on the outstanding notes on the Stated Maturity or on the applicable

redemption date, as the case may be, and the Issuer must specify whether the notes are being defeased to maturity or to a particular redemption date;

- (2) in the case of legal defeasance, the Issuer has delivered to the Indenture Trustee an Opinion of Counsel that is independent of the Issuer reasonably acceptable to the Indenture Trustee confirming that (a) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling, or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, subject to customary assumptions and exclusions, the Holders and beneficial owners of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such legal defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;
- (3) in the case of covenant defeasance, the Issuer has delivered to the Indenture Trustee an Opinion of Counsel that is independent of the Issuer reasonably acceptable to the Indenture Trustee confirming that, subject to customary assumptions and exclusions, the Holders and beneficial owners of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;
- (4) the Issuer has delivered to the Indenture Trustee an Opinion of Counsel that is independent of the Issuer reasonably acceptable to the Indenture Trustee confirming that, subject to customary assumptions and exclusions, the Holders and beneficial owners of the notes will not recognize income, gain or loss for Peruvian income tax purposes as a result of such legal defeasance or covenant defeasance, as the case may be, and will be subject to Peruvian income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance or covenant defeasance, as the case may be, had not occurred;
- (5) such legal defeasance or covenant defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which the Parent or any of its Restricted Subsidiaries is a party or by which the Parent or any of its Restricted Subsidiaries is bound;
- (6) no Default or Event of Default has occurred and is continuing on the date of the deposit pursuant to clause (1) of this paragraph or will occur as a result of such deposit (other than a Default or an Event of Default resulting from the borrowing of funds to be applied to make such deposit and any similar and simultaneous deposit relating to other Indebtedness and, in each case, the granting of Liens in connection therewith) and the deposit will not result in a breach or violation of, or constitute a default under, any other material agreement or instrument (other than the Indenture) to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound;
- (7) the Issuer has delivered to the Indenture Trustee an Opinion of Counsel to the effect that as of the date of such opinion and subject to customary assumptions and exclusions, including, without limitation, that no intervening bankruptcy, liquidation or dissolution of the Parent or the Issuer between the date of deposit and the 91st day following the deposit and assuming that no Holder is an “insider” of the Parent or the Issuer, as the case may be, under applicable bankruptcy law (or equivalent liquidation law in the applicable jurisdiction), after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, liquidation, dissolution, insolvency, reorganization or similar laws affecting creditors’ rights generally;
- (8) the Issuer has delivered to the Indenture Trustee an Officer’s Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer, any Guarantor or others;
- (9) the Issuer has delivered to the Indenture Trustee an Officer’s Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent relating to the legal defeasance or the covenant defeasance, as the case may be, have been complied with; and



- (10) the Issuer has delivered irrevocable instructions to the Indenture Trustee to apply the deposited money toward the payment of the notes at maturity or the redemption date, as the case may be (which instructions may be contained in the Officer's Certificate referred to in clause (8) above).

### **Satisfaction and Discharge**

The Indenture will be discharged and will cease to be of further effect as to all notes issued thereunder, when either:

- (1) all notes that have been authenticated (except lost, stolen or destroyed notes that have been replaced or paid and notes for whose payment money has been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust) have been delivered to the Indenture Trustee for cancellation; or
- (2) (a) all notes not theretofore delivered to the Indenture Trustee for cancellation have become due and payable by reason of the giving of a notice of redemption or otherwise, will become due and payable within one year or may be called for redemption within one year under arrangements satisfactory to the Indenture Trustee for the giving of notice of redemption by the Indenture Trustee in the name, and at the expense, of the Issuer, and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Indenture Trustee, as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, U.S. Government Securities, or a combination thereof, in such amounts as will be sufficient, in the written opinion of a nationally recognized firm of independent public accountants delivered to the Indenture Trustee, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the notes not theretofore delivered to the Indenture Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;
- (b) no Default or Event of Default has occurred and is continuing on the date of the deposit or will occur as a result of the deposit (other than a Default or an Event of Default resulting from borrowing of funds to be applied to make such deposit and any similar and simultaneous deposit relating to other Indebtedness and in each case the granting of any Lien in connection therewith), and the deposit will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture) to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound;
- (c) the Issuer has paid or caused to be paid all sums payable by it under the Indenture; and
- (d) the Issuer has delivered irrevocable instructions to the Indenture Trustee to apply the deposited money toward the payment of the notes at maturity or the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an Opinion of Counsel to the Indenture Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

### **No Personal Liability of Directors, Officers, Employees and Stockholders**

No past, present or future director, officer, employee, trustee, incorporator, member, partner, controlling person or stockholder of the Issuer or any Guarantor shall have any liability for any obligations of the Issuer or any Guarantor under the notes, the Note Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the federal securities law of the United States.

### **Notices**

Notices to Holders of notes will be mailed to them at their registered addresses and notices to Holders of global notes will be delivered in accordance with the rules and procedures of the applicable clearing system.

In addition, for so long as the notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market and it is required by the rules of such exchange, all notices to Holders of notes will be published in English: (1) in a leading newspaper having a general circulation in Luxembourg (which currently is expected to be *Luxemburger Wort*); (2) if such Luxembourg publication is not practicable, in one other leading

English language newspaper being published on each day in morning editions, whether or not is published in Saturday, Sunday or holiday editions; or (3) on the website of the Luxembourg Stock Exchange at <http://www.bourse.lu>.

Except with respect to the Indenture Trustee, notices will be deemed to have been given on the date of mailing, delivery or of publication as aforesaid or, if published on different dates, on the date of the first such publication.

### **Indenture Trustee**

The Bank of New York Mellon is the Indenture Trustee under the indenture. The principal office of the Indenture Trustee is at 101 Barclay St., Floor 7 East, New York, NY 10286.

### **Governing Law; Jurisdiction**

The Indenture provides that it, the notes and any Note Guarantee are governed by, and construed in accordance with, the laws of the State of New York.

Each of the Issuer and the Guarantors has submitted to the jurisdiction of, and consented to and waived objection to venue in, the U.S. federal and New York state courts located in the Borough of Manhattan in New York City and has appointed an agent for service of process with respect to any actions brought in these courts arising out of or based on the Indenture, the notes or the Note Guarantees.

### **Currency Indemnity**

The Issuer and each Guarantor will pay all sums payable under the Indenture, the notes and the Note Guarantees solely in U.S. dollars. Any amount that you or the Indenture Trustee receive or recover in a currency other than U.S. dollars in respect of any sum expressed to be due to you or the Indenture Trustee from the Issuer or any Guarantor will only constitute a discharge to the Issuer and the Guarantors, to the greatest extent permitted under applicable law, to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount received or recovered in that other currency on the date of the receipt or recovery or, if it is not practicable to make the purchase on that date, on the first date on which the recipient is able to do so. If the U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under the Indenture, any note, or any Note Guarantee to the greatest extent permitted under applicable law, the Issuer and the Guarantors will jointly and severally indemnify the recipient against any loss the recipient sustains as a result. In any event, the Issuer and the Guarantors will jointly and severally indemnify the recipient against the cost of making any purchase of U.S. dollars. For the purposes of this paragraph, it will be sufficient for you to certify in a satisfactory manner that the recipient would have suffered a loss had an actual purchase of U.S. dollars been made with the amount received in that other currency on the date of receipt or recovery or, if it was not practicable to make the purchase on that date, on the first date on which the recipient were able to do so. In addition, you will also be required to certify in a satisfactory manner the need for a change of the purchase date.

The indemnities described above: (i) constitute a separate and independent obligation from the other obligations of the Issuer and the Guarantors; (ii) will give rise to a separate and independent cause of action; (iii) will apply irrespective of any indulgence granted by any Holder or the Indenture Trustee; and (iv) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

### **Waiver of Immunity**

To the extent that the Issuer or the Guarantors or any of their respective properties, assets or revenues may have or may hereafter become entitled to, or have attributed to Issuer, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from setoff or from counterclaim from the jurisdiction of any Peruvian, New York State or U.S. federal or other applicable court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution of judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any such court in which proceedings may at any time be commenced, with respect to the obligations and liabilities of the Issuer or the Guarantors, or any other

matter under or arising out of or in connection with, the notes, the Note Guarantees or the Indenture, the Issuer and each of the Guarantors irrevocably and unconditionally waives or will waive such right, and agrees not to plead or claim any such immunity and consents to such relief and enforcement.

### **Certain Definitions**

“*Additional Assets*” means:

- (1) any property, plant, equipment or other asset (excluding working capital or current assets) to be used by the Parent or a Restricted Subsidiary in a Similar Business;
- (2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Parent or a Restricted Subsidiary; or
- (3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary;

*provided, however*, that, in the case of clauses (2) and (3), such Restricted Subsidiary is primarily engaged in a Similar Business.

“*Affiliate*” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “*control*” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”) when used with respect to any Person means possession, directly or indirectly, of the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “*controlling*” and “*controlled*” have meanings correlative to the foregoing; provided that exclusively for purposes of “—Repurchase at the Option of Holders—Assets Sales” And “—Certain Covenants—Limitation on Affiliate Transactions,” beneficial ownership of 10% or more of the Voting Stock of a Person shall be deemed to be control.

“*Asset Disposition*” means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance, or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors’ qualifying shares), property or other assets (each referred to for the purposes of this definition as a “*disposition*”) by the Parent or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction.

Notwithstanding the preceding, the following items shall not be deemed to be Asset Dispositions:

- (1) a disposition of assets by a Restricted Subsidiary to the Parent or by the Parent or a Restricted Subsidiary to a Restricted Subsidiary;
- (2) the disposition of cash or Cash Equivalents in the ordinary course of business;
- (3) a sale or disposition of inventory in the ordinary course of business;
- (4) a disposition of obsolete or worn out property or equipment that, in the reasonable determination of the Parent, is no longer useful in the conduct of the business of the Parent and its Restricted Subsidiaries and that is disposed of in each case in the ordinary course of business;
- (5) the disposition of all or substantially all of the assets of the Parent in a manner permitted pursuant to “—Certain Covenants—Merger and Consolidation” or any disposition that constitutes a Change of Control pursuant to the Indenture;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to the Parent or to a Wholly Owned Subsidiary;
- (7) for purposes of “—Repurchase at the Option of Holders—Asset Sales” only, the making of a Permitted Investment (other than a Permitted Investment to the extent such transaction results in the receipt of cash or

Cash Equivalents by the Parent or its Restricted Subsidiaries) or a disposition subject to “—Certain Covenants—Limitation on Restricted Payments”;

- (8) dispositions of assets in a single transaction or a series of related transactions with an aggregate Fair Market Value in any calendar year of less than US\$1.0 million (with unused amounts in any calendar year being carried over to the next succeeding calendar year subject to a maximum of US\$2.0 million in such next succeeding calendar year);
- (9) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy, liquidation, dissolution or similar proceedings and exclusive of factoring or similar arrangements;
- (10) the issuance by a Restricted Subsidiary of Preferred Stock that is permitted by the covenant described under “—Certain Covenants—Limitation on Indebtedness”;
- (11) the licensing or sublicensing of intellectual property or other general intangibles in the ordinary course of business;
- (12) the lease, assignment, licensing or sub lease or sub licensing of any real or personal property in the ordinary course of business
- (13) the creation of Liens permitted under the provisions of the covenants described under “—Limitation on Indebtedness—Secured Indebtedness Test” and “—Maintenance of Unencumbered Assets”;
- (14) foreclosure on assets; and
- (15) any sale of Capital Stock in, or Indebtedness or other securities of, an Unrestricted Subsidiary.

“*Asset Swap*” means an exchange (or concurrent purchase and sale) of property, plant, equipment or other assets (excluding working capital or current assets) of the Parent or any of its Restricted Subsidiaries for Additional Assets of another Person.

“*Attributable Indebtedness*” in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate implicit in the transaction) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended), determined in accordance with IFRS; provided that if such Sale/Leaseback Transaction results in a Capitalized Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of “Capitalized Lease Obligations.”

“*Average Life*” means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (1) the sum of the products of the number of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (2) the sum of all such payments.

“*Board of Directors*” means with respect to any Person, the board of directors or similar governing body of such Person serving a similar function or any duly authorized committee thereof.

“*Business Day*” means each day that is not a Saturday, Sunday or other day on which banking institutions in Lima, Peru or New York, New York are authorized or required by law to close.

“*Capital Stock*” of any Person means any and all shares, interests, rights to purchase, warrants, options, certificates of participation, participations or other equivalents of or interests in (however designated and whether or not having voting rights) equity of such Person, including any certificados de participación of Peruvian trusts (including, but not limited to, fideicomisos, patrimonios fideicometidos, fideicomisos de titulización and patrimonios fideicometidos de fideicomisos de titulización, in each case established under Peruvian law), Preferred Stock and limited liability interests or partnership interests (whether general or limited), but excluding any debt securities convertible or exchangeable into such equity.

“*Capitalized Lease Obligations*” means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with IFRS. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“*Cash Equivalents*” means:

- (1) U.S. dollars, Peruvian soles or other currencies held by the Parent or any Restricted Subsidiary from time to time in the ordinary course of business;
- (2) securities issued or directly and fully Guaranteed or insured by the United States government or any agency or instrumentality of the United States (provided that the full faith and credit of the United States is pledged in support thereof), having maturities of not more than one year from the date of acquisition;
- (3) marketable obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition and, at the time of acquisition, having a credit rating of “A” or better from either Standard & Poor’s Ratings Group, Inc. or Moody’s Investors Service, Inc., or carrying an equivalent rating by an internationally recognized Rating Agency, if both of the two named Rating Agencies cease publishing ratings of investments;
- (4) marketable general obligations issued by, or unconditionally guaranteed by, the government or any political subdivision or public instrumentality of any jurisdiction in which the Parent and its Restricted Subsidiaries have substantial operations or issued by any agency thereof and backed by the full faith and credit of such government, in each case so long as such obligations have an Investment Grade Rating by at least two Rating Agencies, and maturing within one year from the date of acquisition thereof;
- (5) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers’ acceptances having maturities of not more than one year from the date of acquisition thereof issued by (i) any U.S. commercial bank the long-term debt of which is rated at the time of acquisition thereof at least “A” or the equivalent thereof by Standard & Poor’s Ratings Group, Inc., or “A” or the equivalent thereof by Moody’s Investors Service, Inc., or carrying an equivalent rating by an internationally recognized Rating Agency, if both of the two named Rating Agencies cease publishing ratings of investments, and having combined capital and surplus in excess of US\$500.0 million, or (ii) with respect to any such deposits or instruments in a non U.S. jurisdiction, any commercial bank in such jurisdiction having one of the four highest international or local ratings obtainable from Standard & Poor’s Ratings Group, Inc., Fitch Inc. or Moody’s Investors Service, Inc. (or their respective local affiliates), or carrying an equivalent rating by a Rating Agency, if any of such named Rating Agencies cease publishing ratings of investments;
- (6) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2), (3), (4) and (5) entered into with any bank meeting the qualifications specified in clause (5) above;
- (7) commercial paper rated at the time of acquisition thereof at least “A-2” or the equivalent thereof by Standard & Poor’s Ratings Group, Inc. or “P-2” or the equivalent thereof by Moody’s Investors Service, Inc., or carrying an equivalent rating by an internationally recognized Rating Agency, if both of the two named Rating Agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and
- (8) interests in any investment company or money market fund which invests 90% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

“*Change of Control*” means the occurrence of one or more of the following events:

- (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Parent

and its Subsidiaries taken as a whole to any Person (including any “person” or “group” (as such terms are used in Sections 13(d)(3) and 14(d) of the Exchange Act or any successor provisions to other of the foregoing)) other than to one or more Permitted Holders;

- (2) the consummation of any transaction (including without limitation, any merger or consolidation) the result of which is that (i) any Person other than one or more Permitted Holders (including any “person” or “group” (as such terms are used in Sections 13(d)(3) and 14(d) of the Exchange Act or any successor provisions to other of the foregoing)) becomes the “beneficial owner” (as defined in Rules 13d 3 and 13d 5 under the Exchange Act), directly or indirectly, of more than 33% of the Voting Stock of the Company, measured by voting power rather than number of shares or (ii) the Permitted Holders cease to be the beneficial owners, directly or indirectly, of more than 50% of the Voting Stock of the Company, measured by voting power rather than number of shares; or
- (3) the adoption of a plan relating to the liquidation or dissolution of the Company.

“*Change of Control Event*” means the occurrence of both a Change of Control and a Ratings Decline in respect thereof.

“*Commodity Agreement*” means any commodity futures contract, commodity swap, commodity option or other similar agreement or arrangement entered into by the Parent or any Restricted Subsidiary designed to protect the Parent or any of its Restricted Subsidiaries against fluctuations in the price of commodities actually used in the ordinary course of business of the Parent and its Restricted Subsidiaries.

“*Common Stock*” means with respect to any Person, any and all shares, interests, certificates of participation or other participations in, and other equivalents (however designated and whether voting or nonvoting) of such Person’s common stock, including any certificates of participation (*certificados de participación*) of Peruvian trusts (including, but not limited to, *fideicomisos*, *patrimonios fideicometidos*, *fideicomisos de titulización* and *patrimonios fideicometidos de fideicomisos de titulización*, in each case established under Peruvian law), whether or not outstanding on the Issue Date, and includes, without limitation, all series and classes of such common stock.

“*Consolidated Adjusted EBITDA*” means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period:

- (1) increased (without duplication) by the following items to the extent deducted in calculating such Consolidated Net Income:
  - (a) Consolidated Interest Expense; plus
  - (b) Consolidated Income Taxes; plus
  - (c) consolidated depreciation and amortization expense; plus
  - (d) any net loss resulting in such period from currency translation gains or losses; plus
  - (e) other non-cash charges reducing Consolidated Net Income, including any write-offs or write-downs (excluding any such non-cash charge to the extent it represents an accrual of or reserve for cash charges in any future period or amortization of a prepaid cash expense that was capitalized at the time of payment) and non-cash compensation expense recorded from grants of stock appreciation or similar rights, stock options, restricted stock or other rights to officers, directors or employees; *provided* that any losses for the marking to market of investment properties in accordance with IFRS, to the extent included in Consolidated Net Income, shall not be included; and
- (2) decreased (without duplication) by non-cash items increasing Consolidated Net Income of such Person for such period (including any net gain resulting in such period from currency translation gains or losses, and excluding any items which represent the reversal of any accrual of, or reserve for, anticipated cash charges that reduced Consolidated Adjusted EBITDA for Consolidated Interest Expense in any prior period); provided that any gains for the marking to market of investment properties in accordance with IFRS, to the extent included in Consolidated Net Income, shall not be included.

Notwithstanding the foregoing, clause (1)(b) through (d) relating to amounts of a Restricted Subsidiary of a Person will be added to Consolidated Net Income to compute Consolidated Adjusted EBITDA of such Person only to the extent (and in the same proportion) that the net income (loss) of such Restricted Subsidiary was included in calculating the Consolidated Net Income of such Person and, to the extent the amounts set forth in clauses (1)(b) through (d) are in excess of those necessary to offset a net loss of such Restricted Subsidiary or if such Restricted Subsidiary has net income for such period included in Consolidated Net Income, only if a corresponding amount would be permitted at the date of determination to be distributed as a dividend or distribution to the Parent by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or its stockholders.

“*Consolidated Income Taxes*” means, with respect to any Person for any period, taxes imposed upon such Person or other payments required to be made by such Person by any governmental authority which taxes or other payments are calculated by reference to the income or profits or capital of such Person or such Person and its Restricted Subsidiaries (to the extent such income or profits were included in computing Consolidated Net Income for such period).

“*Consolidated Interest Expense*” means, with respect to any Person for any period, the total interest expense (net of any interest income) of such Person and its Restricted Subsidiaries determined on a consolidated basis, whether paid or accrued, plus, to the extent not included in such interest expense:

- (1) interest expense attributable to Capitalized Lease Obligations and the interest portion of rent expense associated with Attributable Indebtedness in respect of the relevant lease giving rise thereto, determined as if such lease were a capitalized lease in accordance with IFRS and the interest component of any deferred payment obligations;
- (2) amortization of debt discount (including the amortization of original issue discount resulting from the issuance of Indebtedness at less than par);
- (3) non-cash interest expense, but any non-cash interest income or expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments pursuant to IFRS shall be excluded from the calculation of Consolidated Interest Expense;
- (4) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers’ acceptance financing;
- (5) the interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries;
- (6) costs associated with entering into Hedging Obligations (including amortization of fees) related to Indebtedness;
- (7) interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period;
- (8) all dividends paid or payable, in cash, Cash Equivalents or Indebtedness or accrued during such period on any series of Disqualified Stock of such Person or on Preferred Stock of its Non-Guarantor Subsidiaries payable to a party other than the Parent or a Wholly Owned Subsidiary; and
- (9) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Parent and its Restricted Subsidiaries) in connection with Indebtedness Incurred by such plan or trust.

For purposes of the foregoing, total interest expense will be determined (i) after giving effect to any net payments made or received by the Parent and its Subsidiaries with respect to Interest Rate Agreements and (ii) exclusive of amounts classified as other comprehensive income in the balance sheet of the Parent. Notwithstanding anything to the contrary contained herein, without duplication of clause (8) above, commissions, discounts, yield and other fees and charges Incurred in connection with any transaction pursuant to which the Parent

or its Restricted Subsidiaries may sell, convey or otherwise transfer or grant a security interest in any accounts receivable or related assets shall be included in Consolidated Interest Expense.

“*Consolidated Net Income*” means, for any period, the net income (loss) of the Parent and its consolidated Restricted Subsidiaries determined on a consolidated basis in accordance with IFRS; *provided, however*, that there will not be included in such Consolidated Net Income on an after tax basis:

- (1) any net income (loss) of any Person if such Person is not a Restricted Subsidiary or that is accounted for by the equity method of accounting, except that:
  - (a) subject to the limitations contained in clauses (3) through (7) below, the Parent’s equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Parent or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary, to the limitations contained in clause (2) below); and
  - (b) the Parent’s equity in a net loss of any such Person (other than an Unrestricted Subsidiary) for such period will be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Parent or a Restricted Subsidiary;
- (2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of “—Certain Covenants—Limitation on Restricted Payments,” any net income (but not loss) of any Restricted Subsidiary (other than a Subsidiary Guarantor) if such Restricted Subsidiary is subject to prior government approval or other restrictions due to the operation of its charter or any agreement, instrument, judgment, decree, order statute, rule or government regulation (which have not been waived), directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Parent, except that:
  - (a) subject to the limitations contained in clauses (3) through (7) below, the Parent’s equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash that could have been distributed by such Restricted Subsidiary during such period to the Parent or another Restricted Subsidiary as a dividend (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause); and
  - (b) the Parent’s equity in a net loss of any such Restricted Subsidiary for such period will be included in determining such Consolidated Net Income;
- (3) any gain or loss (less all fees and expenses relating thereto) realized upon sales or other dispositions of any assets (other than real estate properties) of the Parent or such Restricted Subsidiary, other than in the ordinary course of business, as determined in good faith by the Board of Directors of the Parent;
- (4) any income or loss from the early extinguishment of Indebtedness or Hedging Obligations or other derivative instruments;
- (5) any extraordinary gain or loss; and
- (6) the cumulative effect of a change in accounting principles.

“*Currency Agreement*” means, in respect of a Person, any foreign exchange contract, currency swap agreement, futures contract, option contract or other similar agreement as to which such Person is a party or a beneficiary.

“*Default*” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“*Disqualified Stock*” means, with respect to any Person, any Capital Stock of such Person that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

- (1) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise;



- (2) is convertible into or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Parent or a Restricted Subsidiary (it being understood that upon such conversion or exchange it shall be an Incurrence of such Indebtedness or Disqualified Stock)); or
- (3) is redeemable at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the date that is 91 days after the earlier of the final maturity date of the notes or the date the notes are no longer outstanding; *provided, however*, that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock; *provided, further*, that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Parent or its Restricted Subsidiaries to repurchase such Capital Stock upon the occurrence of a Change of Control or Asset Disposition (each defined in a substantially identical manner to the corresponding definitions in the Indenture) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or exchangeable or for which it is redeemable) provide that the Parent or its Restricted Subsidiaries, as applicable, are not required to repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or exchangeable or for which it is redeemable) pursuant to such provision prior to compliance by the Parent with the provisions of the Indenture described under the captions “—Repurchase at the Option of Holders—Change of Control” and “—Repurchase at the Option of Holders—Asset sales” and such repurchase or redemption complies with “—Certain Covenants—Limitation on Restricted Payments.”

“*Equity Offering*” means the primary issuance and sale by the Parent or the Issuer for cash of Qualified Capital Stock of the Parent or the Issuer to any Person other than an Affiliate of the Parent or the Issuer.

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

“*Fair Market Value*” means, with respect to any asset or liability, the fair market value of such asset or liability as determined by Senior Management of the Parent in good faith; provided that if the fair market value exceeds US\$2.0 million, such determination shall be made by the Board of Directors of the Parent or an authorized committee thereof in good faith (including as to the value of all non-cash assets and liabilities).

“*Guarantee*” means any obligation, contingent or otherwise, of any Person directly or indirectly Guaranteeing any Indebtedness of any other Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep well, to purchase assets, goods, securities or services, to take or pay, or to maintain financial statement conditions or otherwise); or
- (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term “Guarantee” will not include endorsements for collection or deposit in the ordinary course of business.

“*Guarantor*” means Parent and each Initial Subsidiary Guarantor (and any other Restricted Subsidiary that provides a Note Guarantee); provided that upon release or discharge of such Restricted Subsidiary from its Note Guarantee in accordance with the Indenture, such Restricted Subsidiary ceases to be a Guarantor.

“*Guarantor Subordinated Obligation*” means, with respect to a Guarantor, any Indebtedness of such Guarantor (whether outstanding on the Issue Date or thereafter Incurred) that is expressly subordinated in right of payment to the obligations of such Guarantor under its Note Guarantee pursuant to a written agreement.

“*Hedging Obligations*” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

“*Holder*” means a Person in whose name a note is registered on the Registrar’s books pursuant to the terms of the Indenture.

“*IFRS*” means International Financial Reporting Standards, as issued by the International Accounting Standards Board, as in effect on the Issue Date.

“*Incur*” means issue, create, assume, Guarantee, incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and the terms “*Incurred*” and “*Incurrence*” have meanings correlative to the foregoing.

“*Indebtedness*” means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of and premium (if any) in respect of indebtedness of such Person for borrowed money;
- (2) the principal of and premium (if any) in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) the principal component of all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments (including reimbursement obligations with respect thereto except to the extent such reimbursement obligation relates to a trade payable and such obligation is satisfied within 30 days of Incurrence);
- (4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (including earn out obligations), which purchase price is due after the date of placing such property in service or taking delivery and title thereto, except (i) any such balance that constitutes a trade payable or similar obligation to a trade creditor, in each case accrued in the ordinary course of business and (ii) any earn out obligation until the amount of such obligation becomes a liability on the balance sheet of such Person in accordance with IFRS;
- (5) Capitalized Lease Obligations and all Attributable Indebtedness of such Person (whether or not such items would appear on the balance sheet of the guarantor or obligor);
- (6) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Non-Guarantor Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);
- (7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness of such other Persons;
- (8) the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person (whether or not such items would appear on the balance sheet of the guarantor or obligor); and
- (9) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such Obligation that would be payable by such Person at such time).

Notwithstanding the foregoing, money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to pre fund the payment of interest on such Indebtedness shall not be deemed to be “Indebtedness”; provided that such money is held to secure the payment of such interest.

“*Independent Financial Advisor*” means an accounting firm, appraisal firm, investment banking firm or consultant of internationally recognized standing that is, in the judgment of the Parent’s Board of Directors,

qualified to perform the task for which it has been engaged and which is independent in connection with the relevant transaction.

“*Initial Subsidiary Guarantors*” means (i) Interproperties Holding, (ii) Interproperties Holding II, (iii) InRetail Properties Management and (iv) Real Plaza. For the avoidance of doubt, Initial Subsidiary Guarantors do not include Interproperties Peru, Interproperties Puerta del Sol and Inmobiliaria Puerta del Sol.

“*Inmobiliaria Puerta del Sol*” means Inmobiliaria Puerta del Sol S.A.

“*InRetail Properties Management*” means InRetail Properties Management S.R.L.

“*InRetail Shopping Malls Trust Deed*” means the public deed (*escritura pública*) of trust (*Acto Constitutivo de Fideicomiso de Titulización y Programa de Emisión de Certificados de Participación*) dated May 22, 2014, pursuant to which the Issuer was incorporated.

“*interest*” with respect to the notes means interest with respect thereto.

“*Interest Rate Agreement*” means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

“*Interproperties Holding*” means Patrimonio en Fideicomiso D.S.-093-2002-EF—Interproperties Holding.

“*Interproperties Holding II*” means Patrimonio en Fideicomiso D.S.-093-2002-EF—Interproperties Holding II.

“*Interproperties Peru*” means Patrimonio en Fideicomiso D.S.-093-2002-EF—Interproperties Perú.

“*Interproperties Puerta del Sol*” means Patrimonio en Fideicomiso D.S.-093-2002-EF—Interproperties Puerta del Sol.

“*Investment*” means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan (other than advances or extensions of credit to customers in the ordinary course of business) or other extensions of credit (including by way of Guarantee or similar arrangement, but excluding any debt or extension of credit represented by a bank deposit (other than a time deposit)), or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such Person and all other items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS; *provided* that none of the following will be deemed to be an Investment:

- (1) Hedging Obligations entered into in the ordinary course of business and in compliance with the Indenture;
- (2) endorsements of negotiable instruments and documents in the ordinary course of business; and
- (3) an acquisition of assets, Capital Stock or other securities by the Parent or a Subsidiary for consideration to the extent such consideration consists of Common Stock of the Parent.

For purposes of “—Certain Covenants—Limitation on Restricted Payments,”

- (1) “*Investment*” will include the portion (proportionate to the Parent’s equity interest in a Restricted Subsidiary that is to be designated an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided, however*, that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Parent will be deemed to continue to have a permanent “Investment” in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer’s aggregate “Investment” in such Subsidiary as of the time of such redesignation less (b) the portion (proportionate to the Parent’s equity interest in such Subsidiary) of

the Fair Market Value of the net assets of such Subsidiary at the time that such Subsidiary is so redesignated a Restricted Subsidiary;

- (2) any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer; and
- (3) if the Parent or any Restricted Subsidiary sells or otherwise disposes of any Voting Stock of any Restricted Subsidiary such that, after giving effect to any such sale or disposition, such entity is no longer a Subsidiary of the Parent, the Parent shall be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Capital Stock of such Subsidiary not sold or disposed of.

“*Investment Grade Rating*” means a rating equal to or higher than Baa3 (or the equivalent) by Moody’s Investors Service, Inc., BBB- (or the equivalent) by Fitch, and BBB- (or the equivalent) by Standard & Poor’s Ratings Group, Inc., or any equivalent rating by any Rating Agency, in each case, with a stable or better outlook.

“*ISM Trustee*” means Internacional de Títulos Sociedad Titulizadora S.A., in its capacity as the Issuer’s trustee (fiduciario) under the InRetail Shopping Malls Trust Deed.

“*Issue Date*” means July 9, 2014.

“*Latest Completed Quarter*” means the most recently ended fiscal quarter of the Parent for which consolidated financial statements of the Parent prepared in accordance with IFRS are available.

“*Lien*” means, with respect to any asset, any mortgage, lien (statutory or otherwise), trust deed, deed of trust, pledge, hypothecation, charge, security interest, preference, assignment for security purposes, deposit, priority or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction; provided that in no event shall an operating lease be deemed to constitute a Lien.

“*Net Available Cash*” from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities or other assets received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;
- (2) all payments made on any Indebtedness that is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to non controlling interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition; and
- (4) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Parent or any Restricted Subsidiary after such Asset Disposition.

“*Net Cash Proceeds*” with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually incurred in connection with

such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

“*Non-Guarantor Subsidiary*” means any Restricted Subsidiary that is not a Subsidiary Guarantor.

“*Non-Recourse Debt*” means Indebtedness of a Person:

- (1) as to which neither the Parent nor any Restricted Subsidiary (a) provides any Guarantee or credit support of any kind (including any undertaking, Guarantee, indemnity, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable (as a guarantor or otherwise);
- (2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Parent or any Restricted Subsidiary to declare a default under such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its Stated Maturity; and
- (3) the explicit terms of which provide there is no recourse against any of the assets of the Parent or its Restricted Subsidiaries, except that Standard Securitization Undertakings shall not be considered recourse.

“*Note Guarantee*” means, individually, any Guarantee of payment of the notes and the Issuer’s other Obligations under the Indenture by a Guarantor pursuant to the terms of the Indenture and any supplemental indenture thereto, and, collectively, all such Guarantees.

“*Obligations*” means any principal, interest (including any interest accruing subsequent to the filing of a petition in, or initiation of any bankruptcy, liquidation, dissolution, reorganization or similar proceeding at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable state, federal or foreign law), other monetary obligations, penalties, fees, indemnifications, reimbursements (including reimbursement obligations with respect to letters of credit and banker’s acceptances), damages and other liabilities, and Guarantees of payment of such principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities, payable under the documentation governing any Indebtedness.

“*Officer*” means (i) when used in relation to the Parent, Real Plaza or InRetail Properties Management, the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, any Executive Vice President or Vice President, the Treasurer or the Secretary, as applicable; and (ii) when used in relation to the Issuer, Interproperties Holding or Interproperties Holding II, the Administration Committee or any of its members to the extent duly empowered to represent the Administration Committee, the ISM Trustee or any Trustee Agent. Officer of any other Guarantor shall have a correlative meaning.

“*Officer’s Certificate*” means a certificate signed by an Officer of the Issuer, the Parent or any other Guarantor, as applicable.

“*Opinion of Counsel*” means a written opinion from legal counsel, which opinion is reasonably acceptable to the Indenture Trustee. The counsel may be an employee of or counsel to the Parent, the Issuer or any Guarantor.

“*Parent*” means InRetail Real Estate Corp., a Panama corporation.

“*Pari Passu Indebtedness*” means Indebtedness that ranks equally in right of payment to the notes, in the case of the Issuer, or the Note Guarantees, in the case of any Guarantor (without giving effect to collateral arrangements).

“*Permitted Holders*” means one or more of the following (i) members of the Rodriguez Pastor family, (ii) any spouse, descendant, heirs or estate of the individuals referred to in the preceding clause (i), and (iii) any non natural Person that is an Affiliate of any of the Persons referred to in the preceding clauses (i) and (ii) and with respect to which a Person or Persons listed in the preceding clauses (i) and (ii) owns the majority of the aggregate of the total voting power of the Voting Stock in such non natural Person, on a fully diluted basis.

“*Permitted Investment*” means an Investment by the Parent or any Restricted Subsidiary in:

- (1) a Restricted Subsidiary;
- (2) any Investment by the Parent or any of its Restricted Subsidiaries in a Person that is engaged in a Similar Business if as a result of such Investment:
  - (a) such Person becomes a Restricted Subsidiary; or
  - (b) such Person, in one transaction or a series of related transactions, is merged or consolidated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Parent or a Restricted Subsidiary,and, in each case, any Investment held by such Person; provided, that such Investment was not acquired by such Person in contemplation of such acquisition, merger, consolidation or transfer;
- (3) cash and Cash Equivalents;
- (4) the Interproperties Notes; *provided* that any sale, transfer or disposal of the Interproperties Notes other than to a Guarantor shall be an incurrence of Indebtedness by Interproperties Holding;
- (5) receivables owing to the Parent or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided, however*, that such trade terms may include such concessionary trade terms as the Parent or any such Restricted Subsidiary deems reasonable under the circumstances;
- (6) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (7) loans or advances to employees, officers or directors of the Parent or any Restricted Subsidiary in the ordinary course of business consistent with past practices in an aggregate amount not in excess of US\$2.0 million with respect to all loans or advances made since the Issue Date (without giving effect to the forgiveness of any such loan);
- (8) any Investment acquired by the Parent or any of its Restricted Subsidiaries:
  - (a) in exchange for any other Investment or accounts receivable held by the Parent or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, liquidation, dissolution, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable; or
  - (b) as a result of a foreclosure by the Parent or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;
- (9) Investments made as a result of the receipt of non-cash consideration from an Asset Disposition that was made pursuant to and in compliance with “—Repurchase at the Option of Holders—Asset Sales” or any other disposition of assets not constituting an Asset Disposition;
- (10) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any Investments existing as of the Issue Date (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof, other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind securities, in each case pursuant to the terms of such Investment as of the Issue Date);
- (11) Currency Agreements, Interest Rate Agreements, Commodity Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with “—Certain Covenants—Limitation on Indebtedness”;
- (12) Guarantees issued in accordance with “—Certain covenants—Limitations on Indebtedness”;

- (13) Investments made in connection with the funding of contributions under any non qualified retirement plan or similar employee compensation plan in an amount not to exceed the amount of compensation expense recognized by the Parent and its Restricted Subsidiaries in connection with such plans;
- (14) Permitted Joint Venture Investments by the Parent or any of its Restricted Subsidiaries in an aggregate amount at the time of such Investment not to exceed US\$5.0 million at any time outstanding; and
- (15) Investments by the Parent or any of its Restricted Subsidiaries, together with all other Investments pursuant to this clause (15), in an aggregate amount at the time of such Investment not to exceed US\$30.0 million (with the Fair Market Value of such Investment being measured at the time made and without giving effect to subsequent changes in value).

“*Permitted Joint Venture Investment*” means with respect to an Investment by any Person, an Investment by such Person in any other Person engaged in a Similar Business of which less than 50.0% of the outstanding Capital Stock is at the time owned directly or indirectly by the specified Person.

“*Person*” means any individual, corporation, limited partnership, limited liability company, partnership, joint venture, association, joint stock company, trust (including, but not limited to, fideicomisos, patrimonios fideicometidos, fideicomisos de titulización and patrimonios fideicometidos de fideicomisos de titulización, in each case established under Peruvian law), unincorporated organization, government or any agency or political subdivision thereof or any other entity.

“*Preferred Stock*,” as applied to the Capital Stock of any corporation, means with respect to any Person, any Capital Stock of any class or classes (however designated) of such Person that has preferred rights over any other Capital Stock of such Person with respect to the payment of dividends, distributions or redemptions or upon liquidation, dissolution or winding up.

“*Qualified Capital Stock*” means any Capital Stock that is not Disqualified Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Stock or that are not convertible into or exchangeable into Disqualified Stock.

“*Rating Agency*” means each of Standard & Poor’s Ratings Group, Inc., Fitch Inc. and Moody’s Investors Service, Inc. or, if Standard & Poor’s Ratings Group, Inc., Fitch Inc. or Moody’s Investors Service, Inc. or the three of them shall not make a rating on the notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Issuer (as certified by a resolution of the Board of Directors) which shall be substituted for Standard & Poor’s Ratings Group, Inc., Fitch Inc. or Moody’s Investors Service, Inc. or the three of them, as the case may be.

“*Rating Date*” means in connection with a Change of Control Event, the date that is 90 days prior to the earlier of (i) the occurrence of a Change of Control or (ii) public notice of the occurrence of a Change of Control or of the intention of the Parent or any other Person or Persons to effect a Change of Control.

“*Ratings Decline*” means in connection with a Change of Control Event, the occurrence, on or within 180 days after the earlier to occur of public notice of (i) the occurrence of a Change of Control and (ii) the intention by the Parent or any other Person or Persons to effect a Change of Control (which period will be extended for so long as any of the Rating Agencies has publicly announced that it is considering a possible ratings change as a result of a Change of Control), of any of the events listed below, in each case expressly as a result of such Change of Control:

- (a) in the event the notes have an Investment Grade Rating by any two or more Rating Agencies on the Rating Date, the rating of the notes by any such Rating Agency will be changed to below an Investment Grade Rating;
- (b) in the event the notes have an Investment Grade Rating by any, but not two or more, of the Rating Agencies on the Rating Date, the rating of the notes by such Rating Agency will be changed to below an Investment Grade Rating; or

- (c) in the event the notes are rated below an Investment Grade Rating by any two or more Rating Agencies on the Rating Date, the rating of the notes by any such Rating Agency will be decreased by one or more gradations (including gradations within rating categories as well as between rating categories).

“*Real Plaza*” means Real Plaza S.R.L.

“*Refinancing Indebtedness*” means Indebtedness that is Incurred to refund, refinance, replace, defease, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) (collectively, “*refinance*,” “*refinances*” and “*refinanced*” shall each have a correlative meaning) any Indebtedness, in whole or in part, existing on the Issue Date or Incurred in compliance with the Indenture (including Indebtedness of the Parent that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

- (1) (a) if the Stated Maturity of the Indebtedness being refinanced is earlier than the Stated Maturity of the notes, the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced or (b) if the Stated Maturity of the Indebtedness being refinanced is later than the Stated Maturity of the notes, the Refinancing Indebtedness has a Stated Maturity at least 91 days later than the Stated Maturity of the notes;
- (2) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced;
- (3) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and fees Incurred in connection therewith);
- (4) if the Indebtedness being refinanced is subordinated in right of payment to the notes or the Note Guarantees, such Refinancing Indebtedness is subordinated in right of payment to the notes or the Note Guarantees on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced; and
- (5) Refinancing Indebtedness shall not include Indebtedness of a Non-Guarantor Subsidiary that refinances Indebtedness of the Issuer or a Guarantor.

“*Restricted Investment*” means any Investment other than a Permitted Investment.

“*Restricted Subsidiary*” means any Subsidiary of the Parent which at the time of determination is not an Unrestricted Subsidiary. For the avoidance of doubt, initially all Subsidiaries of the Parent shall be Restricted Subsidiaries. The Issuer will at all times constitute a Restricted Subsidiary.

“*Sale/Leaseback Transaction*” means an arrangement relating to property now owned or hereafter acquired whereby the Parent or a Restricted Subsidiary transfers such property to a Person (other than the Parent or any of its Restricted Subsidiaries) and the Parent or a Restricted Subsidiary leases it from such Person.

“*SEC*” means the U.S. Securities and Exchange Commission.

“*Secured Indebtedness*” means any Indebtedness of the Parent or any of its Restricted Subsidiaries secured by a Lien.

“*Securities Act*” means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

“*Senior Management*” means the chief executive officer and the chief financial officer of the Parent.



“*Significant Subsidiary*” means any Restricted Subsidiary that would be a “Significant Subsidiary” of the Parent within the meaning of Rule 1 02 under Regulation S-X promulgated by the SEC. For purposes of the section of this Description of the Notes entitled “Events of Default,” any reference to “Significant Subsidiary” refers to any Significant Subsidiary or any group of Restricted Subsidiaries that, taken together (as of the date of the latest audited consolidated financial statements of the Parent and its Restricted Subsidiaries), would constitute a Significant Subsidiary.

“*Similar Business*” means any business conducted or proposed to be conducted by the Parent and its Restricted Subsidiaries on the Issue Date and any business that is similar, reasonably related, incidental or ancillary thereto.

“*Stated Maturity*” means, with respect to any security, the date specified in the agreement governing or certificate relating to such Indebtedness as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but not including any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

“*Subordinated Obligation*” means any Indebtedness of the Issuer (whether outstanding on the Issue Date or thereafter Incurred) that is subordinated or junior in right of payment to the notes pursuant to a written agreement.

“*Subsidiary*” of any Person means (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary Voting Shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or Persons performing similar functions) or (b) any partnership, joint venture, limited liability company, trust (including, but not limited to, fideicomisos, patrimonios fideicometidos, fideicomisos de titulización and patrimonios fideicometidos de fideicomisos de titulización, in each case incorporated under Peruvian law) or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of clauses (a) and (b), at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person. Interproperties Peru shall be deemed a Subsidiary of the Parent only with respect to real estate properties and other assets pertaining to the classes of Capital Stock of Interproperties Peru which at the time are owned or controlled, directly or indirectly, by the Parent and/or one or more of its Subsidiaries. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of the Parent and/or the Issuer.

“*Subsidiary Guarantor*” means any Guarantor that is a Restricted Subsidiary of the Parent.

“*Total Assets*” means the sum of all the real estate properties and all other assets (excluding intangibles and receivables (other than tax receivables and accounts receivable from related parties)) of the Parent and its Restricted Subsidiaries as reflected on the consolidated balance sheet of the Parent and its Restricted Subsidiaries prepared in accordance with IFRS.

“*Trustee Agent*” means any factor fiduciario appointed by the ISM Trustee as its representative for the Issuer, Interproperties Holding or Interproperties Holding II.

“*Unencumbered Assets*” means the Total Assets of the Parent and its Restricted Subsidiaries that are not subject to any Liens.

“*Unrestricted Subsidiary*” means:

- (1) any Subsidiary of the Parent which at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Parent in the manner provided below; and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Parent may designate any Subsidiary of the Parent (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger or consolidation or Investment therein but excluding the Issuer) to be an Unrestricted Subsidiary only if:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of or have any Investment in, or own or hold any Lien on any property of, any other Subsidiary of the Parent that is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary;
- (2) all the Indebtedness of such Subsidiary and its Subsidiaries shall, at the date of designation, and will at all times thereafter, consist of Non-Recourse Debt;
- (3) such designation and the Investment of the Parent in such Subsidiary complies with “—Certain Covenants—Limitation on Restricted Payments”;
- (4) such Subsidiary, either alone or in the aggregate with all other Unrestricted Subsidiaries, does not operate, directly or indirectly, all or substantially all of the business of the Parent and its Subsidiaries;
- (5) such Subsidiary is a Person with respect to which neither the Parent nor any of its Restricted Subsidiaries has any direct or indirect obligation:
  - (a) to subscribe for additional Capital Stock of such Person; or
  - (b) to maintain or preserve such Person’s financial condition or to cause such Person to achieve any specified levels of operating results; and
- (6) on the date such Subsidiary is designated an Unrestricted Subsidiary, such Subsidiary is not a party to any agreement, contract, arrangement or understanding with the Parent or any Restricted Subsidiary with terms substantially less favorable to the Parent than those that might have been obtained from Persons who are not Affiliates of the Parent.

Any such designation by the Board of Directors of the Parent shall be evidenced to the Indenture Trustee by providing to the Indenture Trustee a resolution of the Board of Directors of the Parent giving effect to such designation and an Officer’s Certificate certifying that such designation complies with the foregoing conditions. If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture, and any Indebtedness of such Subsidiary shall be deemed to be Incurred as of such date.

The Board of Directors of the Parent may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof and the Parent could incur at least US\$1.00 of additional Indebtedness pursuant to the covenant described under “—Certain Covenants—Limitation on Indebtedness—Leverage Test” on a *pro forma* basis taking into account such designation.

“*Unsecured Indebtedness*” means, as of any date, that portion of total outstanding Indebtedness as of that date that is not Secured Indebtedness of the Parent or any of its Subsidiaries.

“*U.S. Government Securities*” means securities that are (a) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged or (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally Guaranteed as a full faith and credit obligation of the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such U.S. Government Securities or a specific payment of principal of or interest on any such U.S. Government Securities held by such custodian for the account of the holder of such depositary receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Securities or the specific payment of principal of or interest on the U.S. Government Securities evidenced by such depositary receipt.

“*Voting Stock*” of a Person means securities of all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of members of the Board of Directors (or equivalent governing body), managers or trustees, as applicable, of such Person.

“*Wholly Owned Subsidiary*” means a Restricted Subsidiary, all of the Capital Stock of which (other than directors’ qualifying shares) is owned by the Parent or another Wholly Owned Subsidiary

## BOOK-ENTRY, DELIVERY AND FORM

The certificates representing the notes were issued in fully registered form without interest coupons. Notes sold in reliance on Rule 144A under the Securities Act initially will be represented by permanent notes in global, fully registered form without interest coupons (each, a “Restricted Global Note”). The notes sold in offshore transactions in reliance upon Regulation S under the Securities Act will initially be represented by permanent notes in global, fully registered form without interest coupons (each, a “Regulation S Global Note,” together with the Restricted Global Notes, the “Global Notes”). The Global Notes have been deposited with the trustee as a custodian for DTC, as depository, and registered in the name of a nominee of such depository.

The Global Notes (and any notes issued in exchange thereof) are subject to certain restrictions on transfer set forth therein and in the indenture and will bear the applicable legend regarding such restrictions set forth under the heading “Transfer Restrictions—Legends” herein. Qualified Institutional Buyers (“QIBs”) or non-U.S. purchasers may elect to take a Certificated Security (as defined below under “Certificated Securities”) instead of holding their interests through the Global Notes (collectively referred to herein as the “Non-Global Purchasers”), which Certificated Notes will be ineligible to trade through DTC, only in the limited circumstances described below. For a description of the restrictions on transfer of Certificated Securities and any interest in the Global Notes, see “Transfer Restrictions” and “Plan of Distribution—Notes Are Not Being Registered.”

### The Global Notes

We expect that, pursuant to procedures established by DTC, (i) upon the issuance of the Global Notes, DTC or its custodian will credit, on its internal system, the principal amount at maturity of the individual beneficial interests represented by such Global Notes to the respective accounts of persons who have accounts with such depository (“participants”) and (ii) ownership of beneficial interests in the Global Notes will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Such accounts initially will be designated by or on behalf of the initial purchasers and ownership of beneficial interests in the Global Notes will be limited to participants or persons who hold interests through participants. Holders may hold their interests in the Global Notes directly through DTC if they are participants in such system, or indirectly through organizations that are participants in such system.

So long as DTC or its nominee is the registered owner or holder of the notes, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such Global Notes for all purposes under the indenture governing the notes. No beneficial owner of an interest in the Global Notes will be able to transfer that interest except in accordance with DTC’s procedures, in addition to those provided for under the indenture with respect to the notes.

Payments of the principal of, and premium (if any) and interest on, the Global Notes will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither we, the indenture trustee, any paying agent, any transfer agent or the registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

We expect that DTC or its nominee, upon receipt of any payment of principal of, and premium (if any) and interest on the Global Notes, will credit participants’ accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Notes as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in the Global Notes held through such participants will be governed by standing instructions and customary practice, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

DTC has advised us that it will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the indenture, DTC will exchange the Global Notes for Certificated Securities,

which it will distribute to its participants and which will be legended as set forth under the heading “Transfer Restrictions” and “Plan of Distribution—Notes Are Not Being Registered.”

DTC has advised us as follows: DTC is a limited-purpose trust company organized under New York banking law, a “banking organization” within the meaning of the New York banking law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for issues of U.S. and non-U.S. equity, corporate and municipal debt issues that participants deposit with DTC. DTC also facilitates the post-trade settlement among participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between participants’ accounts. This eliminates the need for physical movement of securities certificates. Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC system is also available to indirect participants such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants of DTC, it is under no obligation to perform such procedures, and such procedures may be discontinued at any time. None of us, the trustee, any paying agent, any transfer agent or the registrar will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### **Certificated Securities**

A Global Note is exchangeable for certificated notes in fully registered form without interest coupons (“Certificated Securities”) only in the following limited circumstances:

- DTC notifies us that it is unwilling or unable to continue as depository for the Global Note and we fail to appoint a successor depository within 90 days of such notice, or
- there shall have occurred and be continuing an event of default with respect to the notes under the indenture and DTC shall have requested the issuance of Certificated Securities.

Certificated Securities may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See “Transfer Restrictions” and “Plan of Distribution—Notes Are Not Being Registered.”

The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer the notes will be limited to such extent.

### **Exchanges Between Regulation S Notes and Restricted Global Notes**

Beneficial interests in one Global Note may generally be exchanged for interests in another Global Note. Depending on whether the transfer is being made during or after the 40-day period commencing on the original issue date of the notes, and to which Global Note the transfer is being made, the seller may be required to provide certain written certifications in the form provided in the indenture. A beneficial interest in a Global Note that is transferred to a person who takes delivery through another Global Note will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other Global Note.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Restricted Global Notes will be effected by DTC by means of an instruction originated through the DTC deposit/withdrawal at custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Restricted Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note

and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest.

## TAXATION

The following discussion summarizes certain Peruvian, Panamanian and U.S. federal income tax considerations that may be relevant to you if you invest in the notes. This summary is based on laws, regulations, rulings and decisions now in effect in Peru, Panama and the United States, which, in each case, may change. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisors about the tax consequences of holding the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

### **Peruvian Tax Considerations**

The discussion in this offering memorandum regarding Peruvian tax considerations is not intended or written to be used, and cannot be used or relied upon by any person, for the purpose of avoiding Peruvian taxation, and was written to support the promotion or marketing of this offering. Prospective investors should consult an independent tax advisor with respect to the Peruvian tax consequences of acquiring, owning or disposing of the notes.

The following is a general summary of certain material Peruvian tax consequences that may be relevant with respect to the purchase, ownership or disposition of the notes by non-Peruvian holders. This summary is not intended to be a comprehensive description of all of the Peruvian tax considerations that may be relevant to a decision by non-Peruvian holders to make an investment in the notes.

For purposes of this section, “non-Peruvian holder” means (i) any individual who is not domiciled in Peru; and (ii) any legal entity incorporated outside of Peru, provided that it does not conduct any trade or business through a permanent establishment in Peru or hold the notes through a Peruvian branch. A non-Peruvian individual will be deemed domiciled in Peru for tax purposes if such individual has resided or has remained in Peru for more than 183 calendar days during any twelve-month period. The change on the condition of residence will be effective as of January 1 of the following calendar year.

### **Income tax**

#### ***Payment of interest***

Interest paid on the notes to non-Peruvian holders will be treated as Peruvian-source income and will be subject to a Peruvian withholding Income Tax (*Impuesto a la Renta*) at a rate of 4.99%. However, if the non-Peruvian holder of the notes is considered to be related to the Issuer, under Peruvian tax laws (this includes cases where an indirect relation exists between the Issuer and the holder of a note), or if the non-Peruvian holder is an individual and domiciled in a “tax haven,” as defined in the Peruvian Income Tax Law and its Regulations, the withholding income tax rate will be of 30%.

The Issuer is required to act as withholding agent for income tax payable in connection with interest paid on the notes to non-Peruvian holders. However, if the notes are listed on a Peruvian Stock Exchange, the Peruvian clearing house (“CAVALI”) will act as withholding agent instead.

#### ***Sale of the notes***

Proceeds received by a non-Peruvian holder on a sale, exchange or disposition of a beneficial interest in the global notes held through a foreign clearing system will not be subject to any Peruvian withholding or capital gains tax. In the event that the beneficial interests in the global notes are exchanged for definitive notes, any capital gains accrued and received by a non-Peruvian holder from the sale, exchange or disposition of a beneficial interest in the notes will be subject to Peruvian Income Tax at a preferential rate of 5% if the following requirements are satisfied: (i) the notes are registered with the Peruvian Securities Public Registry (*Registro Público del Mercado de Valores*), and (ii) the notes are transferred through a Peruvian Stock Exchange. In this case, CAVALI will also act as withholding agent of the Peruvian Income Tax levied on such capital gains. Otherwise, capital gains will be taxed at a 30% income tax rate.

A capital gain will be equal to the difference between (i) the amount realized on the sale, exchange or disposition of the notes, and (ii) the purchase price paid for the notes, which must be certified by the Peruvian tax administration, before any payment is made, pursuant to a form submitted by the seller along with back-up documentation evidencing, among others, that the purchase price has been paid in a Peruvian bank account, unless the sale, exchange or disposition is made through the Peruvian Stock Exchange.

#### ***Redemption of the notes***

Any premium received upon an early redemption of the notes will be subject to a withholding Peruvian Income Tax at a rate of either 4.99% or 30% depending on whether the premium is characterized as interest or capital gain. However, a 30% withholding tax rate will apply to any premium received if the non-Peruvian holder of the notes is considered to be related to the Issuer.

The Issuer has agreed, subject to specific exceptions and limitations, to pay Additional Amounts to the holders of the notes in respect of certain Peruvian Income Taxes mentioned above. See “Description of the Notes—Additional Amounts.”

***Non-Peruvian holders of the notes should consult an independent tax advisor regarding the specific Peruvian income tax considerations of acquiring, owning or disposing of the notes.***

#### ***Value added tax***

Interest paid on the notes is not subject to Peruvian Value Added Tax (*Impuesto General a las Ventas*, or “VAT”).

The sale, exchange or disposition of the notes is not subject to VAT.

#### ***Financial transaction tax***

In Peru, there is a financial transactions tax (“FTT”), which taxes at a rate of 0.005% any debit or credit made in an account opened with a Peruvian bank or any other financial institution, either in Peruvian or foreign currency. Likewise, if the issue price paid for the notes is deposited in a Peruvian Financial System (“PFS”) bank account, such credit will also be levied at the corresponding FTT rate. The taxpayer of the FTT is the holder of the PFS bank account.

#### **Panamanian Tax Considerations**

The following is a summary of certain Panamanian income tax consequences resulting from the beneficial ownership and disposition of the notes. This summary is based on the Panamanian Tax Code of 1956, as amended, applicable tax laws, decrees and regulations issued thereunder, and judicial and administrative interpretations thereof, all as in effect on the date hereof, and is subject to any changes in these or other laws, decrees, regulations and interpretations occurring after such date, including those with retroactive effect. This summary is intended as a summary only and is not a complete list or analysis of all potential Panamanian tax consequences to holders of the notes. This summary does not address the tax treatment of potential investors that may be subject to special income tax withholding rules. The summary is not intended as tax advice to any particular investor, nor does it purport to furnish information in the level of detail or with attention to an investor’s specific tax circumstances that would be provided by an investor’s own tax advisor. Prospective purchasers of the notes should consult their own tax advisors as to the specific Panamanian and other tax consequences of acquiring, owning, and disposing of the notes.

Payments of principal and interest on the notes and payments on the guarantees will not be subject to income tax or withholding taxes in Panama, so long as the net proceeds upon the issuance and sale of the notes are not placed, invested or economically utilized in Panama and the income we earned was exclusively from activities outside Panama.

Capital gains realized by a holder of the notes that is not domiciled in Panama nor generating taxable income in Panama or a tax resident of Panama on the sale or other disposition of the notes that is executed and effected outside of Panama, and for which payment thereof is made outside of Panama (a “Foreign Trade”), will not be subject to income or capital gains tax in Panama. If the sale or other disposition of the notes does not qualify as a Foreign



Trade, then capital gains realized on the sale or other disposition of the notes that are attributable to a Panamanian source will be subject to a 10% capital gains tax, payable by a 5% withholding tax on the purchase price, which can be credited against the actual capital gains tax due. Losses recognized on the sale or other disposition of notes will be disallowed as a deduction for income tax purposes in Panama.

There are no stamp, transfer or inheritance taxes applicable to the sale or other disposition of the notes which are payable in Panama. Notwithstanding the foregoing, the notes and transaction documents will become subject to stamp taxes in Panama if and when submitted as evidence before any court or other governmental authority in Panama at a rate of US\$0.10 for each US\$100.00 or fraction of US\$100.00 of the face value of the obligations stated therein.

The offering and sale of the notes and the use of proceeds therefrom described in this offering memorandum will all take place outside of Panama, and we do not intend to place, invest or economically utilize the proceeds in Panama that we will receive upon the issuance and sale of the notes, or to conduct business activities in Panama.

With the exception of an Agreement for Tax Cooperation and the Exchange of Information Relating to Taxes entered into between Panama and the United States of America on November 30, 2010, which came into effect on April 18, 2011, there is currently no tax treaty between the United States and Panama. Panama has also entered into Agreements for Taxation Cooperation and the Exchange of Taxation Information with Canada, Denmark, Finland, Greenland, Iceland, Faroe Islands, Norway and Sweden.

Panama has entered into treaties to avoid double taxation with the following countries, all of which are currently in force: Barbados, South Korea, United Arab Emirates, Spain, France, Netherlands, Ireland, Luxembourg, Mexico, Portugal, Qatar, United Kingdom, Czech Republic and Singapore.

#### **U.S. Federal Income Tax Considerations**

The following discussion is a summary of certain U.S. federal income tax consequences of acquiring, owning and disposing of the notes. Except where otherwise noted, this discussion applies only to U.S. Holders (as defined below) of notes that purchase the notes at the initial issue price indicated on the cover of this offering memorandum and that hold the notes as “capital assets” (generally, property held for investment). This discussion is based on the Code, its legislative history, existing final, temporary and proposed U.S. Treasury regulations, administrative pronouncements by the Internal Revenue Service (the “IRS”) and judicial decisions, all as of the date hereof and all of which are subject to change (possibly on a retroactive basis) and to different interpretations. This discussion assumes that the notes will not be issued with more than a *de minimis* amount of original issue discount for U.S. federal income tax purposes.

This discussion does not purport to address all U.S. federal income tax consequences that may be relevant to a particular holder and holders are urged to consult their own tax advisors regarding their specific tax situations. The discussion does not address the tax consequences that may be relevant to holders subject to special tax rules, including, for example:

- insurance companies;
- tax-exempt organizations;
- dealers in securities or currencies;
- traders in securities that elect the mark-to-market method of accounting with respect to their securities holdings;
- banks or other financial institutions;
- partnerships or other pass-through entities for U.S. federal income tax purposes;
- U.S. Holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;

- U.S. expatriates; or
- holders that hold the notes as part of a hedge, straddle, conversion or other integrated transaction.

Further, this discussion does not address the U.S. federal estate and gift tax, or alternative minimum tax consequences, or the Medicare tax on net investment income, or any state, local and non-U.S. tax consequences of acquiring, owning and disposing of the notes.

As used herein, the term “U.S. Holder” means a beneficial owner of the notes that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has an election in effect under current U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences of acquiring, owning and disposing of the notes.

#### ***Treatment of the Notes***

In certain circumstances, we may be obligated to pay amounts in excess of stated interest or principal on the notes. For example, in the event of a Change of Control Event (as defined in “Description of the Notes—Repurchase at the Option of Holders—Change of Control”), we would generally be required to offer to repurchase the notes at 101% of their principal amount plus accrued and unpaid interest (see “Description of the Notes—Repurchase at the Option of Holders—Change of Control”). We intend to take the position that the notes should not be treated as “contingent payment debt instruments” for U.S. federal income tax purposes because of these additional payments. This position is based in part on assumptions regarding the likelihood, as of the date of issuance of the notes, that such additional payments will be paid. Our position is binding on all holders, unless a holder discloses its differing position in a statement attached to its timely filed U.S. federal income tax return for the taxable year during which a note was acquired. The IRS, however, may take a contrary position from that described above, which could affect the timing and amount of income included and the character of gain recognized with respect to the notes. The remainder of this discussion assumes that the notes will not be treated as contingent payment debt instruments for U.S. federal income tax purposes.

#### **U.S. Holders**

##### ***Stated Interest***

Stated interest paid to a U.S. Holder on a note, including any amount withheld in respect of any taxes and any Additional Amounts, will be includible in such U.S. Holder’s gross income as ordinary interest income at the time such payments are received or accrued in accordance with such U.S. Holder’s usual method of tax accounting for U.S. federal income tax purposes. In addition, interest on the notes will be treated as foreign source income for U.S. federal income tax purposes and generally will constitute “passive category” income for most U.S. Holders. Subject to generally applicable restrictions and conditions (including a minimum holding period requirement), a U.S. Holder generally will be entitled to a foreign tax credit in respect of any foreign income taxes withheld on interest payments on the notes. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. The rules governing the foreign tax credit are complex.

U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

### ***Sale, Exchange or Other Taxable Disposition***

Upon the sale, exchange or other taxable disposition (including a redemption) of a note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (other than accrued but unpaid stated interest which will be taxable as ordinary income to the extent not previously included in gross income) and the U.S. Holder's adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note generally will equal the cost of the note to the U.S. Holder. Any such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the note has been held for more than one year at the time of its sale, exchange or other taxable disposition. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

Any gain or loss realized on the sale, exchange or other taxable disposition of a note generally will be treated as U.S. source gain or loss, as the case may be. If any gain from the sale, exchange or other taxable disposition of notes is subject to foreign income tax (such as the Peruvian capital gains tax described above under “—Peruvian Tax Considerations—Income tax—Sale of the notes”), U.S. Holders may not be able to credit such tax against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code (because such gain generally would be U.S. source income) unless such income tax can be credited (subject to applicable limitations) against U.S. federal income tax due on other income that is treated as derived from foreign sources. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year.

### ***U.S. Backup Withholding and Information Reporting***

Backup withholding and information reporting requirements generally apply to payments of principal of, and interest on, a note and to proceeds of the sale or redemption of a note, to U.S. Holders. Information reporting generally will apply to payments of principal of, and interest on, notes (including Additional Amounts, if any), and to proceeds from the sale or redemption of notes within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder (other than an exempt recipient). Backup withholding will be required on payments made within the United States, or by a U.S. payor or U.S. middleman, on a note to a U.S. Holder, other than an exempt recipient, if the U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Backup withholding is not an additional tax. A holder of notes generally will be entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability or to obtain a refund of the amounts withheld provided the required information is furnished to the IRS in a timely manner.

In addition, certain U.S. Holders who are individuals are required to report information relating to an interest in the notes, subject to certain exceptions (including an exception for notes held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of the notes.

**The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.**

## PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in a purchase agreement dated July 1, 2014, between us and the initial purchasers, we agreed to sell to the initial purchasers, and each of the initial purchasers, severally and not jointly, agreed to purchase from us, the principal amount of the notes offered hereby that appears opposite its name in the table below.

<b>Initial Purchasers</b>	<b>Principal Amount</b>
Citigroup Global Markets Inc.....	US\$175,000,000
Credit Suisse Securities (USA) LLC.....	US\$175,000,000
Total.....	US\$350,000,000

The purchase agreement provides that the obligation of the initial purchasers to purchase the notes is subject to certain conditions precedent.

We have been advised that the initial purchasers propose to resell the notes at the offering price set forth on the cover page of this offering memorandum. The price at which the notes are offered may be changed at any time without notice.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under U.S. securities laws, and to contribute to payments that the initial purchasers may be required to make in respect of any of these liabilities.

The notes have not been and will not be registered under the Securities Act. The initial purchasers have agreed that they will offer or sell the notes in the United States only to qualified institutional buyers pursuant to Rule 144A under the Securities Act and outside the United States pursuant to Regulation S under the Securities Act. See “Transfer Restrictions”.

### Listing of Securities

Application has been made to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market. The initial purchasers may make a market in the notes after completion of the offering, but will not be obligated to do so, and may discontinue any market-making activities at any time without notice. Neither we nor the initial purchasers can provide any assurance as to the liquidity of the trading market for the notes. If an active public trading market for the notes is not maintained, the market price and liquidity of the notes may be adversely affected.

### No Sales of Similar Securities

We have agreed that we will not, for a period of 60 days after July 1, 2014, without the prior written consent of Citigroup Global Markets Inc. and Credit Suisse Securities (USA) LLC, offer, sell, contract to sell or otherwise dispose of any debt securities substantially similar to the notes offered hereby in the international capital markets, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

### Stabilization Transactions

In connection with the offering of the notes, the initial purchasers (or persons acting on their behalf) may over-allot notes or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, there is no assurance that the initial purchasers (or persons acting on their behalf) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the notes is made, and, if begun may be ended at any time, but it must end no later than 30 days after the date on which the issuer received the proceeds of the issue, or no later than 60 days after the date of allotment of the relevant securities, whichever is the earlier.

Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Stabilizing transactions may cause the price of the notes to be higher than it would otherwise be in the absence of those transactions.

## Sales Outside the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

### Peru

The notes, the guarantees and the information contained in this offering memorandum have not been and will not be registered with or approved by SMV or the Lima Stock Exchange. Accordingly, the notes cannot be offered or sold in Peru, except in compliance with the applicable Peruvian securities laws and regulations.

The notes are registered with the Foreign Investment and Derivatives Instruments Registry (*Registro de Instrumentos de Inversión y de Operaciones de Cobertura de Riesgo Extranjeros*) of the SBS for Peruvian private pension funds investment eligibility, as required by Peruvian law.

### European Economic Area

This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of notes.

In relation to each Relevant Member State, each initial purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such notes to the public in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the initial purchasers; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

*provided* that no such offer of notes shall require us or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State will be deemed to have represented, warranted and agreed to and with each initial purchaser and us that:

- (a) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and
- (b) in the case of any notes acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (i) the notes acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the initial purchasers has been given to the offer or resale; or (ii) where the notes have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those notes to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an “offer of notes to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe for the notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

### **United Kingdom**

Each initial purchaser has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act 2000 (“FSMA”) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

### **Hong Kong**

The notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

### **Japan**

The notes offered in this offering memorandum have not been, and will not be, registered under the Financial Instruments and Exchange Law of Japan.

Each Initial Purchaser has represented and agreed that the notes have not been offered or sold and will not be offered or sold, directly or indirectly, in Japan or to or for the account of any resident of Japan (which term, as used in this paragraph means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), except (i) pursuant to an exemption from the registration requirements of the Financial Instruments and Exchange Law and (ii) in compliance with any other applicable requirements of Japanese law.

### **Singapore**

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA, (2) where no consideration is given for the transfer or (3) by operation of law.

## **Chile**

Pursuant to Law No. 18,045 of Chile (the securities market law of Chile) and Rule (Norma de Carácter General) No. 336, dated June 27, 2012, issued by the SVS, the notes may be privately offered in Chile to certain "qualified investors" identified as such by Rule 336 (which in turn are further described in Rule N°. 216, dated June 12, 2008, of the SVS).

Rule 336 requires the following information to be provided to prospective investors in Chile:

1. Date of commencement of the offer: June 23, 2014. The offer of the notes is subject Rule (Norma de Carácter General) No. 336, dated June 27, 2012, issued by the Superintendency of Securities and Insurance of Chile (Superintendencia de Valores y Seguros de Chile or "SVS");
2. The notes and the offering memorandum are not registered with the Securities Registry (Registro de Valores) of the SVS, nor with the foreign securities registry (Registro de Valores Extranjeros) of the SVS and as such as not subject to the oversight of the SVS;
3. Since the notes are not registered in Chile there is no obligation by the issuer to make publicly available information about the notes in Chile; and
4. The notes shall not be subject to public offering in Chile unless registered with the relevant Securities Registry of the SVS.

### ***Información a los Inversionistas Chilenos***

*De conformidad con la ley N° 18.045, de mercado de valores y la Norma de Carácter General N° 336 (la "NCG 336"), de 27 de junio de 2012, de la Superintendencia de Valores y Seguros de Chile (la "SVS"), los bonos pueden ser ofrecidos privadamente a ciertos "inversionistas calificados," a los que se refiere la NCG 336 y que se definen como tales en la Norma de Carácter General N° 216, de 12 de junio de 2008, de la SVS.*

*La siguiente información se proporciona a potenciales inversionistas de conformidad con la NCG 336:*

1. *La oferta de los bonos comienza el 23 de junio de 2014, y se encuentra acogida a la Norma de Carácter General N° 336, de fecha 27 de junio de 2012, de la SVS;*
2. *La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que tales valores no están sujetos a la fiscalización de esa Superintendencia;*
3. *Por tratarse de valores no inscritos en Chile no existe la obligación por parte del emisor de entregar en Chile información pública sobre los mismos; y*
4. *Estos valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.*

## **Colombia**

The notes will not be authorized by the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) and will not be registered under the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) and, accordingly, the notes will not be offered or sold to persons in Colombia except in circumstances which do not result in a public offering under Colombian law.

### **Relationships with the Initial Purchasers**

In the ordinary course of business, the initial purchasers and their affiliates have provided, and may in the future provide, investment banking, commercial banking, cash management, foreign exchange or other financial services to us and our affiliates for which they have received customary compensation and may receive compensation in the future.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

### **Settlement**

Delivery of the notes offered hereby was on July 9, 2014, which was the fifth business day following the date of pricing of the notes.



## Transfer Restrictions

The notes have not been registered, and will not be registered, under the Securities Act or any state securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

This offering memorandum and the notes have not been and will not be registered with or approved by the SMV or the Lima Stock Exchange. Accordingly, the notes cannot be offered or sold in Peru, except in compliance with the applicable Peruvian securities laws.

## Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of the notes (other than the Initial Purchasers in connection with the initial issuance and sale of the notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

- it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;
- it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;
- it understands and agrees that the notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that the notes offered outside the United States pursuant to Regulation S will also be represented by a global note;
- it will not resell or otherwise transfer any of such notes except (a) to InRetail Shopping Malls or any of its subsidiaries, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States and other jurisdictions;
- it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;
- it acknowledges that prior to any proposed transfer of the notes (other than pursuant to an effective registration statement) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture including transfers pursuant to Rule 144A or Regulation S;
- it acknowledges that the indenture trustee, registrar or transfer agent for the notes may not be required to accept for registration or transfer of any notes acquired by it, except upon presentation of evidence satisfactory to InRetail Shopping Malls that the restrictions set forth herein have been complied with;
- it acknowledges that InRetail Shopping Malls, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if

any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify InRetail Shopping Malls and the initial purchasers; and

- if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

## Legends

The following is the form of restrictive legend that appears on the face of the Restricted global note and that will be used to notify transferees of the foregoing restrictions on transfer. This legend will only be removed with InRetail Shopping Malls' consent.

**“This note has not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees for the benefit of the issuer that this note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to the issuer, (2) so long as this note is eligible for resale pursuant to Rule 144A under the Securities Act (“Rule 144A”), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this note, represents and agrees that it shall notify any purchaser of this note from it of the resale restrictions referred to above.**

**This legend may be removed solely in the discretion and at the direction of the issuer.”**

The following is the form of restrictive legend which appears on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

**“This note has not been registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees that neither this note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration, and in accordance with any applicable securities laws of any other applicable jurisdiction.**

**This legend may be removed solely in the discretion and at the direction of the issuer.”**

## **LEGAL MATTERS**

The validity of the notes has been passed upon for us by Shearman & Sterling LLP, our U.S. counsel, and for the initial purchasers by Simpson Thacher & Bartlett LLP, U.S. counsel to the initial purchasers.

Certain matters of Peruvian law relating to the notes has been passed upon for us by Estudio Saco-Vertiz Abogados S.A.C., our Peruvian counsel, and for the initial purchasers by Rubio Leguía Normand, Peruvian counsel to the initial purchasers. Certain matters of Panamanian law relating to the notes has been passed upon for us by Arias, Aleman & Mora, our Panamanian counsel.

## **INDEPENDENT AUDITORS**

Our audited consolidated financial statements as of December 31, 2011, 2012 and 2013 included in this offering memorandum have been audited by Medina, Zaldívar, Paredes & Asociados, a member firm of Ernst & Young Global, our independent auditors as indicated in their report appearing herein.

## LISTING AND GENERAL INFORMATION

1. The creation and issuance of the notes has been duly authorized by the resolutions of the Issuer's Administration Committee, dated June 17, 2014.
2. The guarantees of the notes and the indenture have been duly authorized by all of the Subsidiary Guarantors and InRetail RE, dated June 20, 2014.
3. Except as disclosed herein, there are no litigation or arbitration proceedings against or affecting us or the Issuer or any of our assets and we are not aware of any pending or threatened proceedings, which are or might reasonably be expected to be material in the context of the issuance of the notes.
4. Except as disclosed herein, there has been no adverse change, or any development reasonably likely to involve an adverse change, in our or the Issuer's condition (financial or otherwise) or general affairs since May 22, 2014 (its date of formation) that is material in the context of the issuance of the notes and there has been no significant change in the Issuer and our financial or trading position since December 31, 2013.
5. For so long as any notes remain outstanding, copies of the indenture under which the notes and guarantees were issued and the Issuer's bylaws may be inspected free of charge during normal business hours at the offices of the Luxembourg paying agent and our principal office, at the addresses listed on the inside back cover page of this offering memorandum.
6. For so long as any notes remain outstanding, copies of the following documents (together, where necessary, with English translations thereof) may be obtained free of charge during normal business hours at the offices of the Luxembourg paying agent and our principal office, at the addresses listed on the inside back cover page of this offering memorandum:
  - this offering memorandum;
  - our latest published annual audited year-end consolidated financial statements and quarterly unaudited consolidated financial statements; and
  - the Issuer's by-laws.
7. Under Peruvian law, the Issuer is not required to issue financial statements, and will not issue separate financial statements.

The opening balance sheet, as of the Issuer's date of formation, May 22, 2014, is set forth below in millions of nuevos soles:

<u>Assets</u>		<u>Liabilities</u>	
Total Current Assets	186.2	Total Current Liabilities	105.7
Total Non Current Assets	2,261.0	Total Non Current Liabilities	753.2
Total Assets	2,447.1	Total Liabilities	858.9
		<u>Equity</u>	
		Total Equity	1,558.2

8. All of the Parent's subsidiaries guarantee the notes and the consolidated group represents 100% of the Issuer's consolidated net assets and EBITDA.
9. The Issuer and we accept responsibility for the information contained in this offering memorandum. To the best of the Issuer's and our knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.
10. As of July 1, 2014, the Issuer had no indebtedness.
11. The corporate object as well as the principal activities of the Issuer is to operate in the shopping malls business.
12. The Parent was incorporated on April 26, 2012. The Parent's share capital has been fully paid up. As of March 31, 2014, there has been no change in its share capital.

13. The Parent was registered in the Panama Public Registry (*Registro Publico de Panama*) on May 1, 2012 under the number 2165225.

14. The Issuer was registered in the National Superintendency of Public Registries (*Superintendencia Nacional de Registros Publicos del Perú*) on June 6, 2014 under the number 1135305.

15. The notes have been accepted for clearance and settlement through DTC and its direct and indirect participants' accounts for Euroclear and Clearstream. The CUSIP, ISIN and Common Code numbers, as applicable, for the notes are as follows:

Restricted Global Note CUSIP: 45780UAA2	Regulation S Global Note CUSIP: P56243AA9
Restricted Global Note ISIN: US45780UAA25	Regulation S Global Note ISIN: USP56243AA91
Restricted Global Note Common Code: 108613360	Regulation S Global Note Common Code: 108590718

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**InRetail Real Estate Corp. and Subsidiaries**

Consolidated financial statements as of December 31, 2013 and  
2012, together with independent auditors' report



## **InRetail Real Estate Corp. and Subsidiaries**

Consolidated financial statements as of December 31, 2013 and 2012,  
together with independent auditors' report

### **Content**

**Independent auditors' report**

### **Consolidated financial statements**

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## Independent auditors' report

To the Shareholders and Board of InRetail Real Estate Corp. and Subsidiaries

We have audited the accompanying consolidated financial statements of InRetail Real Estate Corp. and Subsidiaries (together "InRetail Real Estate"), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the consolidated statements of income and other comprehensive income, changes in equity and cash flows for the years ended December 31, 2013, 2012 and 2011, and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Auditing Standards generally accepted in Peru. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to InRetail Real Estate for the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate within the circumstances, but not for the purpose of expressing an opinion on the effectiveness of InRetail Real Estate's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

## Independent auditors' report (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


### *Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of InRetail Real Estate Corp. and Subsidiaries as of December 31, 2013 and 2012, and their consolidated results of operations and their cash flows for the years ended December 31, 2013, 2012 and 2011, in accordance with International Financial Reporting Standards.

Lima, Peru,  
June 19, 2014

Countersigned by:

Medina, Zaldívar, Paredes & Asociados

  
\_\_\_\_\_  
Víctor Camarena  
C.P.C.C. Registration No.22566

## InRetail Real Estate Corp. and Subsidiaries

### Consolidated statements of financial position

As of December 31, 2013 and 2012

	Note	2013 S/.(000)	2012 S/.(000)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	80,819	215,724
Investments at fair value through profit or loss	5	-	439,971
Trade receivables	6	19,111	12,458
Accounts receivable from related parties	25(b)	74,713	94,704
Other receivables	7	6,475	1,336
Prepaid expenses	8	4,882	3,543
Recoverable taxes	9	27,459	17,269
<b>Total current assets</b>		<u>213,459</u>	<u>785,005</u>
Recoverable taxes	9	101,674	37,366
Facilities, furniture and equipment, net	10	3,428	2,915
Investment properties	11	2,052,896	1,365,750
Other assets		9,302	3,244
Deferred Income tax asset	15(a)	323	331
<b>Total assets</b>		<u>2,381,082</u>	<u>2,194,611</u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade payables	12	51,666	22,231
Accounts payable to related parties	25(b)	1,246	7,693
Other liabilities	13	29,613	21,069
Current portion of long-term financial obligations	14	14,977	8,550
<b>Total current liabilities</b>		<u>97,502</u>	<u>59,543</u>
Other long-term liabilities	13	16,322	8,882
Long-term financial obligations	14	608,889	682,614
Deferred Income tax liability	15(a)	85,300	70,627
<b>Total liabilities</b>		<u>808,013</u>	<u>821,666</u>
<b>Equity</b>			
Capital stock	17	1,475,706	1,315,706
Retained earnings		92,859	54,574
		<u>1,568,565</u>	<u>1,370,280</u>
<b>Non-controlling interest</b>		<u>4,504</u>	<u>2,665</u>
<b>Total equity</b>		<u>1,573,069</u>	<u>1,372,945</u>
<b>Total liabilities and equity</b>		<u>2,381,082</u>	<u>2,194,611</u>

The accompanying notes are an integral part of these consolidated financial statements.

## InRetail Real Estate Corp. and Subsidiaries

### Consolidated statements of income and other comprehensive income

For the years ended December 31, 2013, 2012 and 2011

	Note	2013 \$/(,000)	2012 \$/(,000)	2011 \$/(,000)
Rental income	18	129,096	97,322	76,899
Income from management services	18	85,592	56,788	40,899
Cost related to income from management services	19	<u>(63,013)</u>	<u>(44,464)</u>	<u>(32,246)</u>
Net rental income		151,675	109,646	85,552
Cost of rental income	19	<u>(12,804)</u>	<u>(8,018)</u>	<u>(6,474)</u>
<b>Gross profit</b>		138,871	101,628	79,078
Fair value adjustment to investment properties	11(d)	42,449	77,957	60,973
Selling and administrative expenses	20	(26,206)	(18,126)	(20,065)
Other income (expenses), net	22	<u>1,372</u>	<u>195</u>	<u>(1,990)</u>
<b>Operating profit</b>		156,486	161,654	117,996
Financial income	23	13,549	13,293	818
Financial expenses	23	(64,104)	(63,825)	(27,119)
Exchange difference, net	26(a)(ii)	<u>(49,903)</u>	<u>32,761</u>	<u>3,946</u>
<b>Profit before Income Tax</b>		56,028	143,883	95,641
Income tax	15(c)	<u>(17,233)</u>	<u>(39,165)</u>	<u>(14,767)</u>
<b>Net profit</b>		<u>38,795</u>	<u>104,718</u>	<u>80,874</u>
<b>Attributable to:</b>				
InRetail Real Estate Corp. shareholders		38,285	104,718	80,874
Non-controlling interest		<u>510</u>	<u>-</u>	<u>-</u>
<b>Net profit</b>		38,795	104,718	80,874
Other comprehensive income		<u>-</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u>38,795</u>	<u>104,718</u>	<u>80,874</u>
<b>Earnings per share:</b>	17(c)			
Basic and diluted profit per share attributable to InRetail Real Estate Corp. shareholders		<u>0.0689</u>	<u>0.3685</u>	<u>0.7679</u>

The accompanying notes are an integral part of these consolidated financial statements.

## InRetail Real Estate Corp. and Subsidiaries

### Consolidated statements of changes in equity

For the years ended December 31, 2013, 2012 and 2011

	Attributable to owners of the Parent				Non-controlling interest \$/(,000)
	Capital stock \$/(,000)	Capital surplus \$/(,000)	Retained earnings \$/(,000)	Total \$/(,000)	
<b>Balance as of January 1, 2011</b>	169,494	231,021	194,319	594,834	-
Net income	-	-	80,874	80,874	-
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	80,874	80,874	-
Capitalization of retained earnings	103,045	-	(103,045)	-	-
Capital contribution	31,559	38,140	-	69,699	-
Deemed distribution, Note 17(b)	-	(147,142)	(37,182)	(184,324)	-
	<u>134,604</u>	<u>(109,002)</u>	<u>(140,227)</u>	<u>(114,625)</u>	-
<b>Balance as of December 31, 2011</b>	304,098	122,019	134,966	561,083	-
Net income	-	-	104,718	104,718	-
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	104,718	104,718	-
Capitalization of retained earnings and capital decrease	93,933	-	(102,323)	(8,390)	-
Cash contributions, Note 17(a)	917,675	-	-	917,675	2,665
Deemed distribution, Note 17(b)	-	(122,019)	(82,787)	(204,806)	-
	<u>1,011,608</u>	<u>(122,019)</u>	<u>(185,110)</u>	<u>704,479</u>	<u>2,665</u>
<b>Balance as of December 31, 2012</b>	1,315,706	-	54,574	1,370,280	2,665
Net income	-	-	38,285	38,285	510
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	38,285	38,285	510
Cash contributions, Note 17(a)	160,000	-	-	160,000	1,329
<b>Balance as of December 31, 2013</b>	<u>1,475,706</u>	-	<u>92,859</u>	<u>1,568,565</u>	<u>4,504</u>

The accompanying notes are an integral part of these consolidated financial statements.

## InRetail Real Estate Corp. and Subsidiaries

### Consolidated statements of cash flows

For the years ended December 31, 2013, 2012 and 2011

	2013 \$/.(000)	2012 \$/.(000)	2011 \$/.(000)
<b>Operating activities</b>			
Net profit	38,795	104,718	80,874
<b>Non-cash adjustment to reconcile profit before tax to net cash flows</b>			
Allowance for doubtful accounts receivable	594	1,372	1,372
Depreciation of facilities, furniture and equipment	1,003	610	(439)
Amortization of intangible assets	84	34	-
Fair value adjustment to investment properties	(42,449)	(77,957)	(60,973)
Exchange difference	48,646	(28,762)	(1,554)
Investment in associates	(75)	(68)	183
Deferred income tax	14,681	38,591	14,486
<b>Working capital adjustments</b>			
Increase in trade accounts receivables	(7,247)	(5,320)	(1,882)
(Increase) decrease in other receivables	(455)	(965)	6,164
(Increase) decrease in trade accounts receivables from related parties	(6,054)	(449)	16,144
Increase in prepaid expenses	(1,339)	(2,568)	(504)
Decrease in recoverable taxes	14,387	1,221	7,924
(Increase) decrease in other assets	(5,635)	(2,665)	-
Increase in trade payables	1,807	8,272	3,543
Increase (decrease) in other liabilities	7,986	1,672	(1,043)
Increase (decrease) in interests pay	558	(355)	6,173
Increase in deferred income	7,440	3,684	899
<b>Net cash flows provided by operating activities</b>	<u>72,727</u>	<u>41,065</u>	<u>71,367</u>
<b>Investing activities</b>			
Purchase of Investments at fair value through profit or loss	(394,452)	(439,971)	-
Sales of investments at fair value through profit or loss	834,423	-	-
Loans granted	(52,434)	(90,487)	12,797
Collections of bonds granted	78,479	11,461	-
Purchase of facilities, furniture and equipment, net of acquisitions through leasing contracts	(1,516)	(855)	6,869
Purchase and development of intangible assets	(432)	(114)	-
Purchase of investment properties	(599,962)	(253,818)	(147,274)
Value added tax payment corresponding to work in progress	(88,885)	(25,739)	(19,413)
<b>Net cash flows used in investing activities</b>	<u>(224,779)</u>	<u>(799,523)</u>	<u>(147,021)</u>

## Consolidated statements of cash flows (continued)

	2013 S/.(000)	2012 S/.(000)	2011 S/.(000)
<b>Financing activities</b>			
Capital contribution	160,000	909,285	69,699
Increase of borrowings	57,000	147,958	520,006
Prepayment of bonds issued	(147,958)	-	(140,490)
Payment of borrowings	(53,224)	(21,107)	(59,168)
Deemed distribution	-	(204,806)	(184,324)
Increase of non-controlling interest	1,329	2,665	-
<b>Net cash flows provided by financing activities</b>	<u>17,147</u>	<u>833,995</u>	<u>205,723</u>
Net increase (net decrease) in cash and short-term deposits	(134,905)	75,537	130,069
Cash and short-term deposits at the beginning of the year	<u>215,724</u>	<u>140,187</u>	<u>10,118</u>
<b>Cash and short - term deposits at the end of the year</b>	<u>80,819</u>	<u>215,724</u>	<u>140,187</u>
<b>Non cash transactions -</b>			
Leasing contracts	28,238	25,725	-
Increase in investment properties	21,173	14,758	-

The accompanying notes are an integral part of these consolidated financial statements.

## InRetail Real Estate Corp. and Subsidiaries

### Notes to the consolidated financial statements

As of December 31, 2013 and 2012

#### 1. Business activity -

##### (a) Identification -

InRetail Real Estate Corp. (hereinafter "the Company"), a holding entity incorporated in April 2012 in the Republic of Panama, is a subsidiary of InRetail Perú Corp. The latter is a subsidiary of Intercorp Retail Inc., which in turn is a subsidiary of Intercorp Peru Ltd. (a holding company incorporated in The Bahamas, hereinafter "Intercorp Perú"), which is the ultimate holding Company of the "Intercorp Perú Group" or the "Group", which refers to Intercorp Perú and its subsidiaries.

As of December 31, 2013 and 2012 Intercorp Perú holds directly and indirectly 71.45 percent of the capital stock of InRetail Perú Corp., which in turn holds 100 percent of the capital stock of the Company.

The Company's legal address is 50 Street y 74 Street, floor 16 "PH" Building, San Francisco, Republic of Panama. However, its Management and administrative offices are located at Av. Carlos Villarán N° 140, Urb. Santa Catalina, La Victoria, Lima, Peru.

The Company and its Subsidiaries, Patrimonio en Fideicomiso - D.S.N°093-2002 - EF - Interproperties Holding, Patrimonio en Fideicomiso - D.S. N°093-2002-EF-Interproperties Holding II, Real Plaza S.R.L., and InRetail Properties Management S.R.L. (hereinafter and together, "InRetail Real Estate"), are dedicated to operating shopping malls as well as real estate development. InRetail Real Estate operations are concentrated in Peru.

##### (b) Reorganization of Intercorp Perú subsidiaries -

The Intercorp Perú Group consists of several companies operating in Peru and other countries. In 2012, it completed the reorganization of its Subsidiaries in the retail and shopping malls businesses. The reorganization was carried out in order to have a more efficient and organized structure in which InRetail Perú Corp. operates as a holding company that owns the majority shareholdings in the subsidiaries of Intercorp Perú that operate in such businesses.

As the above-described reorganization of Intercorp Perú Group was not a change the control of the subsidiaries now grouped under InRetail Perú Corp. as well as under its subsidiary InRetail Real Estate Corp., according to International Financial Reporting Standards (Note 3.2 (b)), this is a reorganization of entities under common control and therefore, it has been accounted for using the pooling-of-interests method. Therefore, the accompanying consolidated financial statements have been prepared under the assumption that the reorganization took place as of the beginning of the earliest year presented and that both InRetail Perú Corp. and its subsidiary InRetail Real Estate Corp. were operating in each of the years presented.



## Notes to the consolidated financial statements (continued)

The accompanying consolidated financial statements as of and for the year ended December 31, 2013 were approved by Management on May 20, 2014 and will be submitted for their approval by the Board of Directors at the General Shareholders' Meeting that will occur within the period established by law; in Management's opinion, they will be approved without modifications.

### 2. Subsidiaries activities

Following is the description of the Company's main Subsidiaries activities:

- (a) Patrimonio en Fideicomiso - D.S.N°093-2002 - EF - Interproperties Holding and Patrimonio en Fideicomiso - D.S. N°093-2002-EF-Interproperties Holding II (hereinafter "Interproperties Holding" and "Interproperties Holding II", respectively)
- Interproperties Holding and Interproperties Holding II are two special purpose entities ("SPEs") formed for the purpose of holding the certificates of participation of Patrimonio en Fideicomiso - D.S. N° 093-2002-EF Interproperties Perú (hereinafter "Interproperties Perú"), which is a trust fund formed for the purpose of holding the real estate assets of InRetail Real Estate and obtains the necessary funding for developing investment plans.

Additionally, Interproperties Holding II owns 95 percent of participation in the net assets of Patrimonio en Fideicomiso - D.S. N°093-2002-EF-Interproperties Puerta del Sol which is a special purpose entity formed to own and handle Real Plaza Cusco "San Antonio" Shopping Mall.

- (b) Real Plaza S.R.L. (hereinafter "Real Plaza")
- An entity focused on operating the shopping malls (18 and 15 as of December 31, 2013 and 2012, respectively) and maintaining and developing relationships with the tenants. Real Plaza operates under the name of "Real Plaza Shopping Mall".

As of December 31, 2013 Real Plaza operated shopping malls in Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca, Huánuco, Cusco, Cajamarca and Lima.

- (c) InRetail Properties Management S.R.L. (formerly Interproperties Perú S.A., hereinafter "InRetail Properties Management")
- An entity focused on securing new locations and developing shopping malls. Additionally, provides the staff which manages and operates Interproperties Holding and Interproperties Holding II.

## Notes to the consolidated financial statements (continued)

A summary of the main data of the audited financial statements of the Company, its Subsidiaries and SPEs as of December 31, 2013 and 2012, and for the years then ended is presented below:

	As of December 31, 2013			
	Assets S/.(000)	Liabilities S/.(000)	Equity S/.(000)	Profit S/.(000)
<b>Company</b>				
InRetail Real Estate Corp.	1,483,138	47	1,483,091	2,764
Real Plaza S.R.L.	17,897	14,837	3,060	763
InRetail Properties Management S.R.L	3,599	2,454	1,145	1,139
<b>Special purpose entities (SPEs)</b>				
Patrimonio en Fideicomiso - D.S.N°093- 2002 - EF - Interproperties Holding	1,325,940	620,746	705,194	11,520
Patrimonio en Fideicomiso - D.S. N°093- 2002-EF-Interproperties Holding II	966,066	189,072	776,994	14,150
	As of December 31, 2012			
	Assets S/.(000)	Liabilities S/.(000)	Equity S/.(000)	Profit S/.(000)
<b>Company</b>				
InRetail Real Estate Corp.	1,469,998	148,372	1,321,626	5,920
Real Plaza S.R.L.	11,313	9,052	2,261	19
InRetail Properties Management S.R.L	1,596	1,590	6	48
<b>Special purpose entities (SPEs)</b>				
Patrimonio en Fideicomiso - D.S.N°093- 2002 - EF - Interproperties Holding	952,002	537,955	414,047	69,990
Patrimonio en Fideicomiso - D.S. N°093- 2002-EF-Interproperties Holding II	535,763	91,027	444,736	28,015

### 3. Summary of significant accounting policies

The significant accounting policies used in the preparation and presentation of InRetail Real Estate's consolidated financial statements are described below:

#### 3.1 Basis of preparation and presentation -

The consolidated financial statements of InRetail Real Estate Corp. have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements have been prepared on a historical cost basis, except for investments at fair value through profit or loss and investment properties, which have been measured at fair value. The consolidated financial statements are presented in Nuevos Soles and all values are rounded to the nearest thousands of Nuevos Soles (S/.(000)), except where otherwise indicated.

## Notes to the consolidated financial statements (continued)

The information contained in these consolidated financial statements is the responsibility of Management of the Company and its Subsidiaries, who expressly declare that they have fully applied the principles and criteria of IFRS issued by IASB that are effective at the dates of the consolidated financial statements.

The accounting policies adopted are consistent with those of the previous years, except that InRetail Real Estate has adopted those new IFRS and revised IAS Standards that are mandatory for years beginning on or after January 1, 2013 as described below; however, due to InRetail Real Estate's structure and operations, the adoption of the new and revised accounting standards did not have any significant impact on its consolidated financial position or performance; as result, no restatement of comparative financial statements was necessary.

- IAS 1 "Presentation of Items of Other Comprehensive Income – Amendments to IAS 1" Changes the grouping of items presented in Other Comprehensive Income ("OCI"). Items that will be reclassified ("recycled") to profit or loss at a future point in time have to be presented separately from items that will not be reclassified. The amendments affect presentation only and have no impact on InRetail Real Estate's financial position or results.
- IFRS 10 "Consolidated Financial Statements"  
The application of IFRS 10 has not impacted the reported financial position or performance of InRetail Real Estate. The assessment of control has changed, but the result is similar to prior conclusions. InRetail Real Estate assessed its control of undertakings based on the factors set out in the standard including InRetail Real Estate's power over its investees and InRetail Real Estate's exposure to variable returns.
- IFRS 11 "Joint Arrangements"  
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities ("JCEs") using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.  
  
The application of IFRS 11 has not impacted the reported financial position or performance of InRetail Real Estate.
- IFRS 12 "Disclosure of Interests in Other Entities"  
IFRS 12 includes all of the disclosures that were previously in IAS 27, IAS 31 and IAS 28 related to consolidated financial statements, an entity's interests in subsidiaries, joint arrangements, associates and structured entities, and a number of new disclosures are also required.

## Notes to the consolidated financial statements (continued)

- IFRS 13 "Fair Value Measurement"  
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements; it does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines the fair value as an exit price.

As part of the implementation process of IFRS 13, the Group re-assessed its policies for measuring fair values of its assets and liabilities; as a result, the application of IFRS 13 has not materially impacted the fair value measurements of the assets and liabilities of the Group. Also, additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 11 and 27.

- Annual Improvements to IFRS (issued in May 2012)  
The IASB published a preview of the amendments and improvements to IFRS in May 2012. The amendments made to IAS 1, IAS 16, IAS 32, IAS 34 and IFRS 1, including improvements in this cycle, did not have any significant effect on the accompanying consolidated financial statements.

### 3.2. Summary of significant accounting policies -

- (a) Basis of consolidation -

The consolidated financial statements comprise the financial statements of the Company and its Subsidiaries, Note 2.

Control is achieved when the Group is exposed to or has rights over, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, it has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure to or rights over, variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

## Notes to the consolidated financial statements (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the Subsidiary.

Subsidiaries are fully consolidated from the acquisition date, being the date on which InRetail Real Estate obtains control, and are consolidated until the date when such control ceases. The financial statements of the Subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. All intra-group balances, transactions and unrealized gains and losses resulting from intra-group transactions have been eliminated in full.

The non-controlling interest has been determined in proportion to the participation of minority shareholders in the net equity and the results of the subsidiaries in which they hold shares, and they are presented separately in the consolidated statement of financial position, the consolidated income statement and the consolidated statement of comprehensive income.

Losses in a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

(b) Business combinations -

As of December 31, 2012 and 2011, business combinations and other sales of companies or businesses between entities under common control are recorded using the pooling-of-interests method, because there has not been any effective change in control over said companies or businesses. In accordance with the pooling-of-interests method, the balances of the financial statements of the merged companies or businesses, both in the period in which the merger occurs as well as the other periods presented in comparative form, are presented as if they had been merged since the beginning of the earliest period presented.

(c) Financial instruments-initial recognition and subsequent measurement -

(i) Financial assets

Initial recognition and measurement -

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available for sale financial assets, or derivatives designated as hedging instruments. InRetail Real Estate determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of financial assets which are not at fair value through profit or loss, attributable transaction costs.

## Notes to the consolidated financial statements (continued)

Purchases or sales of financial assets that require the delivery of the assets within a time frame established by a regulation or convention in the marketplace, are recognized at the date of the transaction; that is, the date at which InRetail Real Estate commits to purchase or sell the asset.

Subsequent measurement -

As of December 31, 2013 and 2012, InRetail Real Estate does not hold any financial assets classified as held-to-maturity investments or financial assets available for sale. The subsequent measurement of financial assets depends on their classification according to the following:

*Financial assets at fair value through profit or loss -*

A financial asset is held at fair value through profit or loss when it is held for trading in the short term or when it is designated upon initial recognition. The assets in this category are classified as current assets when they are maintained as negotiable or they are expected to be realized in the twelve months following the date of the statement of financial position. Gains and losses from the financial assets classified in this category are recognized in the consolidated statement of income.

*Loans and receivables -*

Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. After initial measurement, these financial assets are measured at amortized cost using the effective interest rate method, less any possible impairment.

Amortized cost is calculated taking into account any acquisition discount or premium, commissions or costs that are integral parts of the effective interest rate.

The amortization of the effective interest rate is included in the "Financial income" caption while the losses resulting from impairment are recognized in the "Financial expenses" caption, both in the consolidated statements of income.

InRetail Real Estate records in this category: cash and cash equivalents, trade receivables, accounts receivable from related parties and other receivables.

Derecognition of financial assets -

A financial asset (or, where applicable, part of a financial asset or a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- InRetail Real Estate has transferred its rights to receive cash flows from said asset or has assumed an obligation to pay the entirety of the cash flows it is entitled to without significant delay, to a third party under a pass-through agreement; and either (i) InRetail Real Estate has substantially transferred

## Notes to the consolidated financial statements (continued)

all the risks and rewards inherent to the asset's ownership; or (ii) InRetail Real Estate has not retained substantially all risks and benefits inherent to the asset's ownership, it has transferred its control.

When InRetail Real Estate has transferred the rights to receive cash flows of an asset, or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of it, the asset is recognized to the extent of the continued participation of InRetail Real Estate over the asset. In such case, InRetail Real Estate also recognizes the related liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that InRetail Real Estate has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured as the lowest between the original amount of the asset's book value and the maximum amount of the consideration that InRetail Real Estate could be obligated to reimburse.

### (ii) Impairment of financial assets

Management assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset for InRetail Real Estate that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortized cost, InRetail Real Estate first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If InRetail Real Estate determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

## Notes to the consolidated financial statements (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The amount of the loss is recognized in the consolidated income statement.

The carrying amount of the asset is reduced through the use of an allowance account and the loss amount is recognized in the statements of comprehensive income. The interests gained confirmed to be accrued over the reduced book value of the asset by using the interest rate used to discount the future cash flows, with the purpose of measuring the impairment loss. The interests gained are recorded as financial income in the statements of comprehensive income. The loans and the corresponding provision are derecognized when no realistic expectations of the future recovery and all guarantees that could exist over them were cashed or transferred to InRetail Real Estate. If in a subsequent period the estimated amount of the impairment loss increases or decreases due to an event that happens after the deterioration has been recognized, the impairment loss previously recognized increases or decreases by adjusting the provision account. If subsequently an item that was recorded as loss is recovered, the recovery is credited as financial income in the consolidated statements of comprehensive income.

### (iii) Financial liabilities

Initial recognition and measurement -

Financial liabilities (within the Scope of IAS 39) are classified, as appropriate, as financial liabilities at fair value through profit or loss, loans and accounts payable. InRetail Real Estate determines the classification of its financial liabilities at initial recognition.

All financial liabilities are initially recognized at fair value plus, in the case of loans and accounts payable accounted at amortized cost, the directly attributable transaction costs.

InRetail Real Estate financial liabilities include trade payable, other liabilities, and accounts payables to related parties, financial obligations that accrue interests and other long term obligations.

Subsequent measurement -

As of December 31, 2013 and 2012, InRetail Real Estate does not hold any financial liabilities at fair value through profit or loss. The measurement of financial liabilities depends of the classification performed by InRetail Real Estate as described below:



## Notes to the consolidated financial statements (continued)

### *Financial obligations*

After the initial recognition, debts and loans that accrue interests are subsequently measured at amortized cost by using the effective interest rate method. Gains and losses are recognized in the statements of comprehensive income when the liabilities are derecognized, as well as through the amortization process using the effective interest rate method.

Amortized cost is calculated taking into account any acquisition discount or premium, commissions or costs that are an integral part of the effective interest rate. The amortization of the effective interest rate is recognized as financial expense in the consolidated statements of comprehensive income.

### Derecognition

A financial liability is derecognized when the obligation specified in the corresponding contract is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference in the carrying amounts is recognized in the consolidated statement of income.

#### (iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts, and there is intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### (d) Foreign currency transactions -

##### (i) Functional and presentation currency -

The functional currency for InRetail Real Estate is determined by the currency of the primary economic environment in which it operates. For InRetail Real Estate, it is the Nuevo Sol. The financial information is presented in Nuevos Soles, which is the functional currency of InRetail Real Estate because it reflects the nature of the economic events and the relevant circumstances for InRetail Real Estate.

##### (ii) Transactions and balances in foreign currency -

Foreign currency transactions are those that have been performed in currencies different than the functional currency. Transactions in foreign currency are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are retranslated at the functional currency using the prevailing exchange rate at the date of the consolidated statements of financial position. Exchange gains or losses resulting from the settlement of said transactions and from restating the monetary assets and liabilities denominated in foreign currency into

## Notes to the consolidated financial statements (continued)

the exchange rates prevailing at the end of the year are recognized in the "Exchange difference, net" caption of the consolidated statements of income.

Non-monetary assets and liabilities denominated in foreign currency and accounted at historic cost are translated into the functional currency at the exchange rate prevailing at the date of the transaction.

(e) Cash and cash equivalents -

For the purposes of the consolidated statements of cash flows, cash and cash equivalents correspond to cash, current accounts and bank deposits with a maturity of less than three months, recorded in the consolidated statements of financial position. Said accounts are not subject to a significant risk of changes in their value.

(f) Prepaid expenses -

The criteria adopted for the recording of these items are the following:

- Operating lease payments made in advance are recorded as an asset and recognized as an expense when the lease term is accrued.
- Insurances are recorded as the value of the premium paid for the coverage of the different assets and are amortized by applying the straight line method during the term of the insurance policies.
- Payments in advance for advertising services and other services are recorded as assets and are recognized as expenses when the service is accrued.

(g) Facilities, furniture and equipment -

Facilities, furniture and equipment are recorded at cost, net of the accumulated depreciation and/or the accumulated impairment losses, if any.

The historical acquisition cost includes the expenses that are directly attributable to the acquisition of assets. The costs of maintenance and repair are charged to results, any renewal and significant enhancement is capitalized only when it is probable there will be future economic benefits that exceed the standard yield originally assessed for the assets.

Regarding the significant components of facilities, furniture and equipment that must be replaced periodically, InRetail Real Estate derecognizes the replaced component and recognizes the new component with its corresponding useful life and depreciation. Likewise, when an overhaul of significant importance is carried out, its cost is recognized as replacement provided that the requisites for its recognition are complied with. All the routine costs of repair and maintenance are recognized as expenses in the consolidated statements of income as they are incurred.

## Notes to the consolidated financial statements (continued)

Depreciation is calculated by applying the straight line method using the following useful lives:

	Years
Facilities	Between 4 and 10
Miscellaneous equipment	Between 3 and 10
Furniture and appliances	Between 2 and 10
Computer equipment	4
Transport units	5

When the assets are sold or disposed, the cost and the accumulated depreciation are eliminated, and any gain or loss from their disposal is included in the consolidated statements of income.

(h) Investment properties -

Investment properties comprise completed properties and properties under construction or redevelopment held to earn rentals or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs.

Transaction costs include transfer taxes, professional fees for legal services and the initial leasing commissions to bring the property to the condition necessary for it to be capable of operating. The carrying amount also includes the cost of replacing part of an existing investment property, if the recognition criteria are met.

Subsequent to initial recognition, investment properties are measured at fair value, which reflects the market conditions at the reporting date. Gains or losses arising from changes in the fair value of the investment properties are included in the consolidated statements of income for the period in which they arise. Fair values are evaluated periodically by Management, based on discounted cash flows over the benefits that are expected to be obtained from these investments. Fair values of investment properties under construction or investment properties held to operate in the future are assessed by a renowned independent external appraiser, through the application of a recognized valuation model.

Investment properties are derecognized either at the moment of their sale or when the investment property is permanently retired from active use, and it is not expected to recover any economic benefit from its sale. The difference between the amount received and the book amount of the assets is recognized in the consolidated statements of income in the period in which the asset was derecognized. Transfers to or from investment properties are performed only if there is a change in the asset's use.

In the case of a transfer from an investment property to a component of property, facilities, furniture and equipment, the attributed cost taken into account for its subsequent measurement is the fair value of the assets at the date of the change of use. If a component of facilities, furniture and equipment is transferred to an investment property, InRetail Real Estate recognizes the asset up to the date of the change of use in

## Notes to the consolidated financial statements (continued)

accordance with the accounting policy established for the property, facilities, furniture and equipment.

Properties under construction are recorded at acquisition cost or construction cost. The initial cost comprises its purchase price, plus the directly related costs that include professional fees for legal services and any cost directly attributable to locate and put the asset in useable condition.

The Company and its Subsidiaries' management deem that the book value of properties under construction does not exceed their recoverable value.

(i) Leases -

The determination of whether an agreement is, or contains, a lease is based on the agreement's essence at the date of its subscription, or if its compliance depends on the use of one or more specific assets, or if it grants the asset's right of use, even if said right is not specified explicitly by the agreement.

*InRetail Real Estate as lessee*

Finance leases which transfer to InRetail Real Estate substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that InRetail Real Estate will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the consolidated income statement on a straight-line basis over the lease term.

*InRetail Real Estate as a lessor*

Leases in which InRetail Real Estate does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

## Notes to the consolidated financial statements (continued)

(j) Impairment of non-financial assets -

InRetail Real Estate, assesses at each end of year, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, InRetail Real Estate estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate any cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable value, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. In determining fair value less costs of disposal, recent market transactions are taken into account, if any. If no such transactions can be identified, an appropriate valuation model is used.

InRetail Real Estate bases its impairment calculation, if needed, on detailed budgets and forecast calculations which are prepared separately for each of InRetail Real Estate's cash generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated income statement in those expense categories consistent with the function of the impaired asset.

(k) Taxes -

The income tax of the subsidiaries is determined based on the non-consolidated financial statements of each subsidiary based on taxable income calculated for tax purposes.

Current Income Tax -

Current income tax assets and liabilities for the current period are measured at the amounts expected to be recovered from or paid to the taxation authority. Tax rates and the tax laws used to compute said amounts are those officially approved.

Current income tax that is related to items directly recognized in the consolidated statement of changes in equity is also recognized in the consolidated statement of changes in equity and not in the consolidated income statement. Management periodically assesses the positions taken in the tax returns with regard to the situations in which the applicable tax legislation is subject to interpretation, and constitutes provisions when appropriate.

## Notes to the consolidated financial statements (continued)

Equity trust funds are not considered as Income Tax taxpayers. The taxpayers in the securitization trusts may be either the originator, beneficiary, trustee, or a third party that is benefited by the results generated by the Equity trust funds, with respect to the profits, income or capital revenue.

### Deferred Income Tax -

Deferred Income Tax is recognized by using the liability method on temporary differences at the reporting date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When a deferred tax liability arises from the initial recognition of goodwill, or of an asset or a liability in a transaction that does not constitute a business combination and that, at the moment of the transaction, does not affect accounting nontaxable profit.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of their reversion can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forwards of unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable taxable profit will be available against which the deductible temporary differences and the carry-forwards of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

## Notes to the consolidated financial statements (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in consolidated equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value added tax -

Revenues from ordinary activities, expenses and assets are recognized by excluding the Value Added Tax, with the following exceptions:

- When the Value Added Tax incurred in an asset acquisition or in the rendering of services is not recoverable with the Tax Authority, in which case said tax is recognized as part of the acquisition cost of the asset or as part of the expense, as applicable.
- The accounts receivable and accounts payable that are already expressed, including the amount of the Value Added Tax.

The net amount of the Value Added Tax that is expected to be recovered from, of that corresponds to be paid to the Tax Authority, is presented as a recoverable tax or an account payable in the statements of financial position, as applicable.

(l) Provisions -

Provisions are recognized when InRetail Real Estate has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where InRetail Real Estate expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated income statement.

## Notes to the consolidated financial statements (continued)

(m) Contingencies -

A contingent liability is disclosed when the existence of an obligation shall only be confirmed by future events or when the amount of the obligation cannot be measured with sufficient reliability. Contingent assets are not recognized but are nonetheless disclosed when it is probable that it will generate economic benefits to InRetail Real Estate.

Given their nature, contingencies shall only be settled when one or more future events occur or not. The determination of contingencies involves inherently the exercise of judgment and the calculation of estimates on the results of future events.

(n) Revenue recognition -

Revenue is recognized to the extent that it is probable that economic benefits will flow to InRetail Real Estate and the amount can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. InRetail Real Estate assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent and has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

- Rental income

Rental income arising from operating leases, less InRetail Real Estate's initial direct costs to enter the leases, is accounted for on a straight-line basis over the term of the lease, except for the inflation adjustment and contingent rental income which is recognized when it arises.

- Key money

The incentives for tenants to enter into lease agreements are recognized into income evenly over the lease term, even if the collections are not made on such a basis. The lease term is the non-cancellable period of the lease.

Amounts received from tenants to terminate leases or to compensate for wear and tear are recognized in the consolidated income statement when they arise.

- Service charges, management charges and other expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognized in the period in which the compensation becomes receivable. Service and management charges and other such receipts are included in Net rental income gross of the related costs, as the directors consider that InRetail Real Estate acts as principal in this respect.



## Notes to the consolidated financial statements (continued)

- Income from negotiation of land and buildings -  
Advisory services provided to the Group's companies regarding the purchase of land for the subsequent construction of shopping malls.
- Income from advisory and project supervision services -  
Services related to the review and supervision of the development of shopping malls and the implementation of department stores and supermarkets.
- Other income is recognized as realized and accrued, and is recorded in the periods to which it relates.

(o) Recognition of costs and expenses -

Service cost is recognized in a simultaneous manner to the recognition of the income from the corresponding service provided.

Rentals paid in advance for landlord leases are recognized in results according to an accrual basis, in the "Real estate services cost" caption, from the conclusion of the works of the shopping mall project to a term that ranges between 300 and 360 months.

Lease expenses for use rights and landlord leases are recognized as they accrue, and are recorded in the periods to which they are related.

Loan costs are accounted for as financial expenses in the period they are incurred.

Loan costs include interests and other costs that InRetail Real Estate incurs in relation to the execution of the respective loan agreements.

Other operating costs and expenses are recognized when accrued, regardless of the moment they are paid, and are recorded in the periods to which they are related.

(p) Fair value measurement -

InRetail Real Estate measures its investment properties at fair value at each date of the consolidated statements of financial position. Also, the fair value of financial instruments measured at amortized cost is disclosed in Note 27.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants of a market at the date of measurement. The fair value measurement is based on the presumption that the transaction to sell the asset or to transfer the liability takes place on either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

## Notes to the consolidated financial statements (continued)

The principal or most advantageous market must be able to be accessed by InRetail Real Estate.

The fair value of an asset or liability is measured by using the assumptions that the market participants would use to value the asset or liability, assuming that the market participants operate in their best economic interest.

The fair value measurement of non-financial assets takes into account the ability of a participant in the market to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

InRetail Real Estate uses valuation techniques that are appropriate for the circumstances and of which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs significant to the fair value measurement as a whole.

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to fair value measurement is unobservable.

For assets and liabilities that are recognized at fair value in the consolidated financial statements on a recurrent basis, InRetail Real Estate determines whether transferences have been made between the different levels of hierarchy through the review of the categorization at the end of every reported period.

Management of InRetail Real Estate determines the policies and procedures for the measurement of recurrent and non-recurrent fair values. To the date of each report, Management assesses the movements in the values of assets and liabilities that must be valued according to the accounting policies of InRetail Real Estate.

For purposes of disclosing fair value, InRetail Real Estate has determined the types of assets and liabilities based on their nature, characteristics and risks, as well as the fair value hierarchy level as explained above.

- (q) Earnings per share -
- Basic and diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. As of December 31, 2013 and 2012, the Company does not have financial instruments with dilutive effect, therefore basic and diluted earnings per share are identical for the years reported.

## Notes to the consolidated financial statements (continued)

(r) Business segments -

A reportable business segment is an operating segment or an aggregate of operating segments that meet certain specific criteria. Business segments are a component of an entity on which the financial information is separately available and is periodically assessed by the Chief Operating Decision Maker (henceforth "CODM") on how to assign the resources and assess its performance. Generally, the financial information is presented on the same basis that is used internally to assess the operating performance of business segments and to decide how to assign resources to them. InRetail Real Estate has one sole business segment related to the real estate activity (lease of its investment properties).

(s) Subsequent events -

The subsequent events at the end of the period that provide additional information about the financial situation of InRetail Real Estate at the date of the consolidated statements of financial situation (adjustment events) are included in the consolidated financial statements. The significant subsequent events that are not adjustment events are presented in the notes to the consolidated financial statements.

### 3.3 Significant accounting judgments, estimations and assumptions

The preparation of the consolidated financial statements requires Management to make judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the income and expenses amounts for the years ended on December 31, 2013, 2012 and 2011.

In opinion of Management of InRetail Real Estate, these judgments, estimations and assumptions have been made on the basis of its best knowledge of relevant events and circumstances at the preparation date of the consolidated financial statements. However, the final results could differ from the estimations included in the consolidated financial statements. Management does not expect that these changes, if any, have a significant effect on the consolidated financial statements.

In the process of application of the accounting policies of InRetail Real Estate, Management made the following judgments, which had a significant effect on the amounts recognized in the consolidated financial statements:

(i) Operating lease contracts -InRetail Real Estate as lessor (Note 3.2(i))

InRetail Real Estate has entered into commercial leases of its investment property portfolio. InRetail Real Estate has determined, on the basis of an assessment of the terms and conditions of the agreements, that it has retained all the significant risks and benefits inherent in the ownership of these assets and, consequently, has accounted these contracts as operating leases.

## Notes to the consolidated financial statements (continued)

(ii) Taxes (Note 3.2 (k y 24))

The originators of the equity trusts of InRetail Real Estate are subject to the withholding of their Income Tax. Significant judgments are required to determine the provision for current and deferred Income Tax.

Diverse transactions and calculations exist for which the tax determination and the payment date are uncertain. In particular, in the calculation of the deferred taxes, the effective rate of taxes applicable to the temporary differences, mainly in the investment properties, depends on the method by which the carrying value of the assets or liabilities will be realized.

InRetail Real Estate recognizes current tax liabilities on the basis of the estimation that whether the additional taxes will be paid. When the final result of these matters is different from the amounts that have been initially recorded, said differences will impact net income and the provisions for deferred taxes in the period in which they are determined. The deferred tax assets and liabilities are recognized net, to the extent that they are related to the same fiscal authority and mature in approximately the same period.

The most significant estimations and assumptions considered by Management in relation to the consolidated financial statements are the following:

(i) Method of depreciation, useful lives and residual values of facilities, furniture and equipment (Note 3.2(g)) -

The determination of the method of depreciation, useful lives and residual values of facilities, furniture and equipment, involves judgments and assumptions that could be affected if circumstances change. Management reviews these assumptions periodically and adjusts them prospectively if any change is identified.

(ii) Fair value of investment properties (Note 3.2(p))

The fair value of all the finished investment properties has been determined by Management of InRetail Real Estate by using the discounted cash flow method.

For investment properties under construction, the value of land is determined by appraisals performed by an accredited, independent and external appraiser; and work-in-progress at cost. Nevertheless, when the progress in the construction of the shopping mall is significant, fair value is determined by using the discounted cash flow method. In exceptional cases, when the fair value cannot be determined in a trustworthy manner, these investments are recorded at cost. Up to month eighteen, the investment properties held to operate in the future are measured at cost, after that, their fair value is determined by appraisal.

## Notes to the consolidated financial statements (continued)

The determination of the fair value of the investment properties requires the use of estimations such as the future cash flows of the assets (for example: leases, sales, fixed rents for the different types of tenants, variable rental in function to a percentage of the sales, operating costs, building costs (hereinafter "CAPEX"), maintenance CAPEX and discount rates applicable to the assets). Additionally, the development risks (such as construction and abandonment) are also taken into account when determining the fair value of the investment properties under construction.

The market value of investment properties in the consolidated statements of financial position must reflect the volatile nature of the real estate markets; therefore, Management and its appraisers use their market knowledge and professional criteria, and do not depend solely on historical comparable transactions. In this sense, there is a greater degree of uncertainty than when exists in a more active market, for the estimation of the market value of investment properties.

The significant methods and assumptions used in the estimation of the fair value of investment properties are detailed in Note 11(a).

### *Techniques used in the valuation of investment properties -*

The discounted cash flow method involves the projection of a series of periodic cash flows of either a property or a property in development. For this series of projected cash flows, a discount rate is applied to obtain the present value of the income flow associated to the property. The periodic calculation of the cash flows is normally determined as rental income net of operating expenses for functioning investment properties, and in the case of investment properties under construction whose progress is significant, it is determined on the basis of the rents by square meter included in the contracts subscribed at that date. The series of periodic net operating income, together with an estimation of the terminal value (which uses the traditional valuation method) at the end of the projection period, is discounted at present value. The sum of the net current values is equal to the property's fair value.

### (iii) Impairment of non-financial assets (Note 3.2(i))

At the end of each year, InRetail Real Estate assesses whether any indications that the value of its assets are impaired. If such indications exist, InRetail Real Estate performs an estimation of the recoverable amount of the asset.

As of the date of the consolidated financial statements, the available projections of these variables show trends favorable to the interests of InRetail Real Estate, which support the recovery of its non-financial assets.

### (iv) Taxes estimation (Note 24)

Uncertainties exist with regard to the interpretation of complex tax regulations, to changes in tax legislation and to the amount and the opportunity in which the future tax result is generated. InRetail Real Estate calculates provisions, on the basis of reasonable estimations, for the possible consequences derived from the examinations performed by

## Notes to the consolidated financial statements (continued)

the Tax Authority. The amount of these provisions is based on several factors, such as the experience in previous tax examinations and in the different interpretations on tax regulations made by InRetail Real Estate and its legal advisors. These interpretation differences can arise in a great variety of matters, depending on the circumstances and existing conditions in the place of domicile of InRetail Real Estate.

Due to InRetail Real Estate considers as remote the probability of litigations of tax nature and subsequent payments as result; it has not recognized any contingent liability related to taxes.

### 3.4 New accounting pronouncements -

InRetail Real Estate decided not to early adopt the following standards and interpretations issued by the IASB, which that are not effective as of December 31, 2013:

- IAS 32 "Financial Instruments: Presentation - Offsetting of financial assets and liabilities (amendment)"  
In effect for periods starting on or after January 1, 2014. The amendment specifies the meaning of "account with a currently enforceable legal right to offset" and the criteria and mechanisms for non-simultaneous settlements of the clearing houses in order to have the right to the offset.

Moreover, this amendment clarifies that in order to offset two or more financial instruments, the entities must have a right to offset that cannot be conditioned to a future event, and the following circumstances must be of mandatory compliance: (i) the ordinary course of its operations; (ii) a non-compliance event; and (iii) in case of insolvency or bankruptcy of the entity or any of the counterparties.

- IAS 39 "Novation of derivatives and continuation of hedge accounting (amendments)"  
In effect for periods starting on or after January 1, 2014. These amendments provide with an exception in order to avoid the suspension of the hedge accounting when the novation of a derivative designed as hedging instrument that complies with certain criteria occurs.
- IFRS 9 "Financial Instruments"  
In effect for periods starting on or after January 1, 2018.  
IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces new requirements related to financial liabilities. IFRS 9 (2013) introduces new requirements for hedge accounting which align said accounting more closely to risk management. Likewise, said requirements also establish an approach based on accounting principles of hedging that address inconsistencies and weaknesses in the hedge accounting model set by IAS 39. Currently, the International Accounting Standards Board (IASB) has a project aimed to amend certain requirements of classification and measurement of IFRS 9 and to include new requirements for the treatment of financial assets impairment.

## Notes to the consolidated financial statements (continued)

- "Investment Entities" (amendments to IFRS 10, IFRS 12 and IAS 27)  
In effect for periods starting on or after January 1, 2014. These amendments establish an exception to the requirement of consolidation for entities that qualify as investment entities under the criteria set by IFRS 10. The exception of consolidation requires that investment entities record subsidiaries at their fair value through profit or loss.
- IFRIC 21 "Levies"  
In effect for periods starting on or after January 1, 2014. IFRIC 21 clarifies that an entity recognizes a levy liability when the activity that generates the payment, as identified by the relevant legislation, is made. For a levy to be originated when reaching a minimum threshold, the interpretation makes it clear that none liability must be recognized before it reaches the specified minimum threshold.
- Improvements to IFRS (cycles 2010-2012 and 2011-2013)  
IASB published improvements to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 2 "Share-based Payments", IFRS 3 "Business Combinations", IFRS 8 "Operating Segments", IFRS 13 "Fair Value Measurement", IAS 16 "Property, Plant and Equipment", IAS 24 "Related Party Disclosures", IAS 38 "Intangible Assets" and IAS 40 "Investment Properties", in effect for periods starting on or after July 1, 2014.

InRetail Real Estate is assessing the possible impact of the application of these standards on its consolidated financial statements.

### 4. Cash and cash equivalent

- (a) The composition of this caption is presented below:

	2013 S/.(000)	2012 S/.(000)
Time deposits (b)	71,094	183,692
Current accounts (c)	5,254	24,540
Management and security trust current accounts (d)	3,996	7,026
Escrow account	447	442
Cash and petty cash	28	24
	<u>80,819</u>	<u>215,724</u>

- (b) As of December 31, 2013, time deposits are unrestricted, maintained in Nuevos Soles in local financial institutions, have maturities of up to one month from its inception and bear annual interests between 4.10 and 4.15 percent. As of December 31, 2012, this amount corresponded to unrestricted time deposits in Nuevos Soles and foreign currency in local financial institutions that bear annual interests of 3.2 percent in Nuevos Soles and 0.5 percent in foreign currency and matured up to one month from their inception.
- (c) The current accounts comprise accounts in Nuevos Soles and US dollars, in local financial institutions, free of liens, unrestricted and do not bear interests.

## Notes to the consolidated financial statements (continued)

- (d) Corresponds to the bank accounts, which serve as means of payment of the guaranteed obligations with regard to the leasing granted by Banco de Crédito del Perú in favor of Interproperties Holding and Interproperties Holding II, Note 14, in compliance with the contract of management and security trust.

### 5. Investments at fair value through profit or loss

The composition of this caption is presented below:

Entity	2013 S/.(000)	2012 S/.(000)
Mutual funds managed by Interfondos S.A. SAF	-	96,354
Mutual funds managed by Credifondo S.A. SAF	-	125,213
Mutual funds managed by Scotia Fondos SAF	-	118,594
Mutual funds managed by BBVA Asset Management Continental S.A. SAF	-	99,810
	<u>-</u>	<u>439,971</u>

As of December 31, 2012, these mutual funds were comprised by a portfolio of financial instruments issued by renowned financial institutions on the local market, which were settled in 2013. The results from this valuation are presented in the "Financial income" and "Financial expenses" captions of the consolidated statements of income, Note 23.

### 6. Trade receivables

(a) The composition of this caption is presented below:

	2013 S/.(000)	2012 S/.(000)
Bills receivable (b)	13,983	10,015
Unbilled services (c)	<u>7,616</u>	<u>4,325</u>
	21,599	14,340
<b>Minus -</b>		
Allowance for doubtful accounts (e)	<u>(2,488)</u>	<u>(1,882)</u>
	<u>19,111</u>	<u>12,458</u>

- (b) As of December 31, 2013 and 2012, trade accounts receivable are denominated in Nuevos Soles and US dollars, have current maturities and do not accrue interests.

- (c) As of December 31, 2013 and 2012, mainly correspond to unbilled lease services for variable and fixed rents, which are billed during the following quarter.



## Notes to the consolidated financial statements (continued)

- (d) As of December 31, 2013 and 2012, the aging analysis of trade receivables is as follows:

	2013		
	Non-impaired S/.(000)	Impaired S/.(000)	Total S/.(000)
Unbilled services	7,616	-	7,616
About to mature	16	-	16
<b>Past-due</b>			
From 1 to 90 days	9,890	-	9,890
From 91 to 120 days	733	112	845
From 121 to 180 days	226	175	401
From 181 to 270 days	153	245	398
More than 271 days	477	1,956	2,433
	<u>19,111</u>	<u>2,488</u>	<u>21,599</u>
	2012		
	Non-impaired S/.(000)	Impaired S/.(000)	Total S/.(000)
Unbilled services	4,325	-	4,325
Current	13	-	13
<b>Past-due</b>			
From 1 to 90 days	6,900	-	6,900
From 91 to 120 days	276	41	317
From 121 to 180 days	203	145	348
From 181 to 270 days	533	194	727
More than 271 days	208	1,502	1,710
	<u>12,458</u>	<u>1,882</u>	<u>14,340</u>

Past-due trade receivables mainly correspond to tenants who hold current contracts as of the date of this report and are operating in the shopping malls. Likewise, past-due accounts which have payment agreements are considered as not impaired; therefore they do not represent a risk of uncollectibility.

- (e) The movement of the provision for impairment as of December 31, 2013 and 2012 is as follows:

	2013 S/.(000)	2012 S/.(000)
Balance as of January 1	1,882	1,557
Additions	594	737
Exchange difference	12	(412)
	<u>2,488</u>	<u>1,882</u>
<b>Balance as of December 31</b>	<u>2,488</u>	<u>1,882</u>

## Notes to the consolidated financial statements (continued)

In the opinion of InRetail Real Estate Management, the provision for impairment appropriately covers the credit risk as of December 31, 2013 and 2012.

### 7. Other receivables

(a) The composition of this caption is presented below:

	2013 S/.(000)	2012 S/.(000)
Third-party guarantee (b)	2,750	-
Claims (c)	2,060	-
Other	<u>1,665</u>	<u>1,336</u>
	<u>6,475</u>	<u>1,336</u>

(b) Corresponds to the guarantee provided to a third party for the acquisition of the surface right of a land lot in the city of Chiclayo, which will be returned when InRetail Real Estate makes the first payment of variable rent when operations start on said land.

(c) Mainly corresponds to the property sales tax (Alcabala) paid in excess to a municipality amounting to S/.1,934,000 for the purchase of a land lot in the city of Piura, for which Interproperties Holding II has filed a complaint to the Tax Administration Service ("SAT", by its Spanish acronym). In the opinion of InRetail Real Estate's management and its legal advisors, this claim will be resolved in the short term.

(d) In the opinion of InRetail Real Estate's Management, it is not necessary to make a provision for impairment as of December 31, 2013 and 2012, as no credit risk has been identified.

### 8. Prepaid expenses

(a) The composition of this caption is presented below:

	2013 S/.(000)	2012 S/.(000)
Rental payments made in advance (b)	3,013	3,408
Insurance	1,829	30
Other	<u>40</u>	<u>105</u>
	<u>4,882</u>	<u>3,543</u>

(b) Mainly corresponds to rental payments made in advance in compliance with a surface rights contract for land lots located in the department of Cusco where an addition to a real estate project was being developed. The advance corresponds to the payment of 360 months of rent and started accruing from the completion date of the project.

## Notes to the consolidated financial statements (continued)

### 9. Recoverable taxes

(a) The composition of this caption is presented below:

<b>By type:</b>	<b>2013</b>	<b>2012</b>
	S/.(000)	S/.(000)
Tax credit recoverable for value-added-tax (b)	123,325	42,369
Funds held in Banco de la Nación (c)	5,706	11,992
Income Tax payment	12	260
Tax credit	90	14
	<u>129,133</u>	<u>54,635</u>
<b>By term:</b>		
Current	27,459	17,269
Non-current	<u>101,674</u>	<u>37,366</u>
	<u>129,133</u>	<u>54,635</u>

- (b) Corresponds to the tax credit for value-added-tax originated mainly by the development and construction of shopping malls on Lima and provinces, as well as by other payments related to the operations of Interproperties Holding and Interproperties Holding II (SPEs). In the opinion of InRetail Real Estate Management, this tax credit will be recovered by setting off against the balances payable of said tax generated mainly by the rental income from the InRetail Real Estate's properties.
- (c) In accordance with Superintendence Resolution N°183-2004/SUNAT, funds held in Banco de la Nación must be used exclusively for the payment of tax debts, or a cash reimbursement requested. In the case of the Company and Subsidiaries, these funds have been used entirely for tax payments.

## Notes to the consolidated financial statements (continued)

### 10. Facilities, furniture and equipment, net

(a) The movement of cost and accumulated depreciation is presented below:

	Facilities S/.(000)	Furniture and fixtures S/.(000)	Transport units S/.(000)
<b>Cost</b>			
Balance as of January 1, 2013	860	1,949	71
Additions	149	263	156
Adjustment	-	-	36
Disposals	(50)	-	-
<b>Balance as of December 31, 2013</b>	<u>959</u>	<u>2,212</u>	<u>263</u>
<b>Accumulated depreciation</b>			
Balance as of January 1, 2013	132	648	59
Depreciation of the year, Note 20	295	303	34
Disposals	(11)	-	-
<b>Balance as of December 31, 2013</b>	<u>416</u>	<u>951</u>	<u>93</u>
<b>Net cost as of December 31, 2013</b>	<u>543</u>	<u>1,261</u>	<u>170</u>

- (b) As of December 31, 2013 and 2012, there are no pledges or guarantees provided to third parties on the facilities, furniture and equipment.
- (c) As of December 31, 2013 and 2012, InRetail Real Estate's Management performed an assessment of the facilities, furniture and equipment, and identified no impairment indicator on said assets. In its opinion, the book value of the facilities, furniture and equipment is recoverable with the expected cash flows.

## Notes to the consolidated financial statements (continued)

### 11. Investment properties

(a) The composition of this caption is presented below:

	2013 S/.(000)	2012 S/.(000)	2011 S/.(000)
<b>Built on owned land</b>			
Real Plaza Chiclayo shopping mall (ii)	216,291	183,295	DCF
Real Plaza Piura shopping mall (ii)	155,794	-	DCF
Real Plaza Trujillo shopping mall (ii)	145,993	150,017	DCF and Ap
Real Plaza Cajamarca shopping mall (ii)	128,253	31,647	DCF
Real Plaza Santa Clara shopping mall (ii)	87,404	84,732	DCF and Ap
Real Plaza Pro shopping mall (ii)	78,232	81,426	DCF
Real Plaza Primavera shopping mall (ii)	195,687	207,563	DCF
Real Plaza Chorrillos shopping mall (ii)	46,053	58,456	DCF
Real Plaza Nuevo Chimbote shopping mall (ii)	27,091	15,182	DCF
Jirón de la Unión - Stores (ii)	23,375	30,629	DCF
Carabayllo (iii)	18,943	16,102	Cos
Tarapoto (iii)	14,289	12,223	Cos
Zapallal (iii)	12,254	12,110	Cos
Cañete Valley land (iii)	11,536	10,455	Apprais
Property in San Juan de Lurigancho	8,449	8,082	DCF
Pisco (iii)	2,811	2,787	Cos
Pueblo Joven Miramar Bajo Mz A Lt 16 - Chimbote - Santa - Ancash (iii)	1,641	1,465	DCF and Ap
<b>Built on surface or usufruct rights</b>			
Real Plaza Salaverry shopping mall (i)	289,783	33,069	DCF
Real Plaza "San Antonio" Cusco shopping mall (i), (ii), (f)	176,901	58,173	DCF
Real Plaza Huancayo shopping mall (i) and (ii)	118,823	117,161	DCF
Real Plaza Huánuco shopping mall (i) and (ii)	110,585	75,210	DCF
Real Plaza Arequipa shopping mall (i) and (ii)	94,809	93,904	DCF
Real Plaza Juliaca shopping mall (i) and (ii)	82,471	81,874	DCF
Peramás (i) and (iii)	3,528	-	Cos
La Curva (i) and (iii)	851	-	Cos
Moquegua (i) and (iii)	428	-	Cos
Others	621	188	Cos
<b>Total</b>	<u>2,052,896</u>	<u>1,365,750</u>	

DCF: Discounted cash flow

- (i) For the construction of these shopping malls and properties, landlord leases contracts were subscribed with the Arzobispado de Cusco "San Antonio", Municipalidad provincial de Huánuco (on land of "Real Plaza Huánuco" shopping mall), Despensa Peruana S.A. (Peramás), Inmobiliaria Pazos S.A.C. (La Curva), Gobierno Regional de Moquegua (Moquegua), Ferrovías Centrales del Perú (La Curva), the Association denominated "Religiosas del Sagrado Corazón de Jesús" (Arequipa), Ferrocarril Trasandino S.A.(Juliaca), Guerra del Perú (Salaverry). These contracts have terms for periods between 20 to 70 years.
- (ii) Correspond to the "Real Plaza" shopping malls, which comprise a hypermarket, department store, commercial premises, and entertainment zone for which there have been subscribed contracts that include minimum monthly fixed rental payments based on the retail sales of the tenants.
- (iii) Correspond to land on which real estate projects will be developed, mainly shopping malls branded "Real Plaza".

## Notes to the consolidated financial statements (continued)

The movement of this caption is as follows:

By type:	2013 S/.(000)	2012 S/.(000)
As of January 1 and at incorporation date	1,365,750	1,094,906
Additions (b)	644,697	220,628
Disposal of property	-	(27,741)
Fair value adjustment	42,449	77,957
<b>As of December 31</b>	<b>2,052,896</b>	<b>1,365,750</b>

- (b) As of December 31, 2013 and 2012, the additions to the investment properties caption are comprised by:

	2013 S/.(000)	2012 S/.(000)
Projects under construction and land acquisition (c)	633,784	193,936
Work in progress	10,913	26,692
	<u>644,697</u>	<u>220,628</u>

- (c) As of December 31, 2013 and 2012, corresponds mainly to enlargements and/or refurbishing of the following shopping malls and properties:

Shopping mall	Description
<b>2013</b>	
Real Plaza Chiclayo	Expansion of the shopping mall including an anchor store (Oeschle), as well as the enlargement of the parking lot for customers.
Real Plaza Cajamarca	Construction of premises for anchor stores where Plaza Veá, Promart, Oeschle and Ripley are operating, as well as the construction of the cinema zone.
Real Plaza Salaverry	Construction of 70,000 m <sup>2</sup> of leasable area, including anchor stores (Promart, Oeschle, Saga Falabella, Ripley, Zara and Plaza Veá), as well as cinema and restaurants zone.
<b>2012</b>	
Real Plaza Juliaca	Building of anchor stores which are operating Promart and Oeschle, as well as the expansion of 35 smaller local shops, restaurants and others.
Real Plaza Trujillo	Building of anchor stores which is operating currently Promart.
Real Plaza Huánuco	Completion of construction of shopping mall.
Real Plaza Chiclayo	Enlargements of level 1 Section 2A of shopping mall

## Notes to the consolidated financial statements (continued)

(d) The following table presents the valuation analysis of investment properties recognized in the consolidated statements of financial position:

	As of December 31, 2013, Note 3.2 (p)			
	Level 1 S/.(000)	Level 2(*) S/.(000)	Level 3(**) S/.(000)	Total S/.(000)
<b>Built on owned land</b>				
Real Plaza Chiclayo Shopping Mall	-	-	216,291	216,291
Real Plaza Piura Shopping Mall (****)	-	-	155,794	155,794
Real Plaza Trujillo Shopping Mall	-	23,165	122,828	146,000
Real Plaza Cajamarca Shopping Mall (****)	-	-	128,253	128,253
Real Plaza Santa Clara Shopping Mall	-	8,292	79,112	87,404
Real Plaza Pro Shopping Mall	-	-	78,232	78,232
Real Plaza Primavera Shopping Mall	-	-	195,687	195,687
Real Plaza Chorrillos Shopping Mall	-	-	46,053	46,053
Real Plaza Nuevo Chimbote Shopping Mall	-	-	27,091	27,091
Jirón de la Unión Stores	-	-	23,375	23,375
Cañete Valley land	-	11,536	-	11,536
Property in San Juan de Lurigancho	-	-	8,449	8,449
Pueblo Joven Miramar Bajo Mz A Lt 16 - Chimbote - Santa - Ancash	-	1,404	237	1,641
<b>Built on surface or usufruct rights</b>				
Real Plaza Salaverry Shopping Mall (***)	-	-	289,783	289,783
Real Plaza Cusco "San Antonio" Shopping Mall (***)	-	-	176,901	176,901
Real Plaza Huancayo Shopping Mall	-	-	118,823	118,823
Real Plaza Huánuco Shopping Mall	-	-	110,585	110,585
Real Plaza Arequipa Shopping Mall	-	-	94,809	94,809
Real Plaza Juliaca Shopping Mall	-	-	82,471	82,471
	<u>-</u>	<u>44,397</u>	<u>1,954,774</u>	<u>1,999,173</u>

(\*) The fair value of the assets classified as Level 2 has been determined through an appraisal formulated by an independent professional appraiser.

(\*\*) The fair value of the assets classified as Level 3 has been determined through the discounted cash flow methodology.

(\*\*\*) As of December 31, 2012, the shopping malls Real Plaza Salaverry Shopping Mall in Lima and San Antonio Shopping Mall in Cusco had a fair value of S/.33,069,000 and S/.58,173,000, respectively. As of December 31, 2013, these shopping malls began operations or the advance of their development, therefore, their fair value is determined through discounted cash flows.

(\*\*\*\*) As of December 31, 2012, Real Plaza Cajamarca Shopping Mall included the land lot on which said investment would be developed. As of December 31, 2013, the land lot was not yet developed. According to Note 3.2(h), it was valued through discounted cash flows.

(\*\*\*\*\*) Incorporated in January 2013.

## Notes to the consolidated financial statements (continued)

The fair value of the investment properties has been determined by InRetail Real Estate's Management on the basis of the discounted cash flow method and based on the value assigned by an independent appraiser in the case of the land of investment properties under construction and for those held to operate in the future. The valuation is prepared on an aggregated and deleveraged basis. According to what is established in Note 3.2(h), in order to estimate the market value of investment properties, Management has used its market knowledge and professional judgment.

A brief description of the cash flow assumptions used as of December 31, 2013 and 2012, is presented below:

- Long-term inflation -  
Is the increase of the general level of prices expected in Peru for the long term.
- Long-term average occupancy rate -  
Is the expected occupancy level of tenants in the leased properties.
- Average growth rate of rental income -  
Is the index that expresses the rental income growth and includes growth factors of the industry, inflation rates, stable exchange rate, per capita income and increasing expenses.
- Average NOI margin -  
Is projected from the rental income from leasable areas by property and marketing income, less costs related to administration fees, other administrative expenses, insurance, taxes and other expenses.
- Discount rate -  
It reflects the current market risk and the uncertainty associated to the obtaining of cash flows.

The main assumptions used in the valuation and estimation of the market value of investment properties are detailed below:

	Percentage	
	2013 %	2012 %
Long-term inflation	2.50	2.50
Long-term average occupancy rate	99.00	99.00 - 100.00
Average growth rate of rental income	2.50	2.50
Average NOI margin	84.00-91.00	90.00-93.00
Discount rate	9.60	9.60



## Notes to the consolidated financial statements (continued)

- (e) The sensitivity analysis on the valuation of property investments, against changes in factors deemed relevant by Management, is presented below:

	Rates change	2013 S/.(000)	2012 S/.(000)
Average growth rate of rents (basis) - 2.50%			
Increase	+0.25%	50,640	48,228
Decrease	-0.25%	(47,738)	(45,033)
Discount rate (basis) - 9.60%			
Increase	+0.5%	(103,840)	(70,683)
Decrease	-0.5%	116,512	80,371

- (f) As of December 31, 2013 and 2012, the properties of Santa Clara, Chimbote, Cajamarca, Cañete and Pro, whose book value amounts to approximately S/ .332,516,000 and S/ .223,442,000, respectively, are part of the asset trust that guarantees the debt with a foreign entity, Note 14.
- (g) The amount of the future minimum fixed rental income by currency corresponding to the lease of the investment properties of InRetail Real Estate is as follows:

Year	Related parties		Third parties		Total	
	US\$(000)	S/.(000)	US\$(000)	S/.(000)	US\$(000)	S/.(000)
2014	6,319	39,943	3,024	59,023	9,343	98,966
2015	6,313	39,519	2,797	47,072	9,110	86,591
2016	6,244	38,339	2,398	35,839	8,642	74,178
2017	6,184	37,054	2,109	24,323	8,293	61,377
2018	6,057	36,056	1,707	19,103	7,764	55,159
2019-2042	106,610	530,179	29,855	73,965	136,465	604,144
<b>Total</b>	<u>137,727</u>	<u>721,090</u>	<u>41,890</u>	<u>259,325</u>	<u>179,617</u>	<u>980,415</u>

### 12. Trade payables

- (a) The composition of this caption is presented below:

	2013 S/.(000)	2012 S/.(000)
Third parties (b)	26,669	18,889
Provisions for unbilled services but received (c)	24,997	3,342
	<u>51,666</u>	<u>22,231</u>

- (b) As of December 31, 2013 and 2012, trade payable mainly comprises the liabilities with contractors for the construction works and/or refurbishing of shopping malls. Bills payable are denominated in Nuevos Soles and US dollars, do not accrue interests and their maturities are in the current period.

## Notes to the consolidated financial statements (continued)

- (c) Corresponds to provisions for services received but unbilled by suppliers, mainly from services provided by construction companies in the last quarter of the period. In the opinion of InRetail Real Estate Management, said provisions are enough to fulfill the liabilities once they are billed.

### 13. Other liabilities

- (a) The composition of this caption is presented below:

	2013 S/.(000)	2012 S/.(000)
Deferred income (b)	16,329	8,882
Land purchase (c)	8,879	8,145
Interests payable (d)	6,706	5,934
Deposits from third parties (e)	2,255	1,853
Workers' profit sharing	1,732	174
Taxes payable	1,129	747
Other payable	8,905	4,216
	<u>45,935</u>	<u>29,951</u>
	2013 S/.(000)	2012 S/.(000)
<b>By term:</b>		
Current	29,613	21,069
Non-current	16,322	8,882
	<u>45,935</u>	<u>29,951</u>

- (b) The composition of the deferred income caption is presented below:

	2013 S/.(000)	2012 S/.(000)
Key money (b.1)	12,767	4,743
Advanced rents (b.2)	3,555	4,139
Others	7	-
	<u>16,329</u>	<u>8,882</u>

- (b.1) As of December 31, 2013 and 2012, corresponds to the payment of key money from several tenants that operate in the Real Plaza shopping malls.

## Notes to the consolidated financial statements (continued)

The movement of the deferred income of key money as of December 31, 2013 and 2012 is as follows:

	2013 S/.(000)	2012 S/.(000)
Balance as of January 1	4,743	4,816
Additions	10,274	1,494
Accrued key money	<u>(2,250)</u>	<u>(1,567)</u>
Balance as of December 31	<u>12,767</u>	<u>4,743</u>

- (b.2) As of December 31, 2013 and 2012, corresponds mainly to advanced rents made by Cineplex S.A. (a related entity) for the premises it operates in Real Plaza Pro Shopping Mall.
- (c) As of December 31, 2013 and 2012, corresponds to the balance payable from the acquisition of land lots located in Carabayllo and Tarapoto. These accounts will be cancelled during the first quarter of 2014, in compliance with the purchase contracts, and do not accrue interests.
- (d) Corresponds mainly to interests payable originated by the long-term bank loan subscribed with foreign entities, Note 14.
- (e) As of December 31, 2013 and 2012, corresponds mainly to cash deliveries from the tenants of the Real Plaza shopping malls Arequipa, Primavera, Pro, Santa Clara, Huancayo, Trujillo, Juliaca and Nuevo Chimbote.

These deposits do not accrue interests and will be refunded in the original currency at the end of the lease contract.

## Notes to the consolidated financial statements (continued)

### 14. Financial obligations

(a) The composition of this caption is presented below:

Type of obligation	Original currency	Interest rate %	Maturity
<b>Leasing</b>			
<b>Related parties</b>			
Banco Internacional del Perú S.A.A - Interbank, Real Plaza San Antonio del Cusco Shopping Mall (b)	S/.	8.90	2026
Banco Internacional del Perú S.A.A - Interbank, purchase of property of Real Plaza Santa Clara shopping mall (c)	S/.	8.25	2016
Banco Internacional del Perú S.A.A - Interbank, purchase of equipment	S/.	8.25	2015
Banco Internacional del Perú S.A.A - Interbank, purchase of transport units	US\$	6.45	2016
<b>Unrelated parties</b>			
Banco de Crédito del Perú S.A., purchase of property of Real Plaza Chiclayo Shopping Mall (d)	S/.	9.02	2019
Banco de Crédito del Perú S.A., enlargement of Section 2A of Real Plaza Chiclayo Shopping Mall (e)	US\$	7.62	2023
Banco de Crédito del Perú S.A., enlargement of Section 2B of Real Plaza Chiclayo Shopping Mall (f)	US\$	7.62	2023
IBM Perú S.A.C.	US\$	3.10	2016
<b>Promissory notes (b)</b>			
<b>Unrelated parties</b>			
Banco de Crédito del Perú S.A., loan for the refurbishing of Real Plaza Primavera Shopping Mall (g)	US\$	6.60	2021
Scotiabank del Perú S.A.A.	S/.	7.45	2016
<b>Loans from foreign entities</b>			
Deutsche Bank AG (h)	US\$	8.75	2023
<b>Corporate bonds issuance (i)</b>	US\$	8.00	2015
<b>Total</b>			

## Notes to the consolidated financial statements (continued)

- (b) Inmobiliaria Puerta del Sol S.A. (IPS) entered into a leaseback agreement with Banco Internacional del Perú S.A.A. - Interbank to build the building where the Real Plaza San Antonio shopping mall operates, which accrues an annual interest rate of 8.90 percent. This leaseback was agreed for a former amount of S/.108,300,000, with a term of 144 months and a grace period of 6 months, which will be computed from the date the asset is finished. As of December 31, 2013, the Bank has disbursed S/.60,000,000. In order to secure the payment this funding, IPS subscribed a cash flow trust contract with La Fiduciaria S.A., through which the former binds to channel all the future cash flows from the credit rights derived, generated or caused, as consequence of each and every asset comprised in the Real Plaza San Antonio project to the escrow accounts so that these assets serve as security for the guaranteed obligations. This transaction generated a structuring commission of S/.1,354,000 which will start to accrue when the shopping mall begin operations.

During 2013, this loan accrued interests for S/.274,000, which are presented in the "Financial expenses" caption of the consolidated statements of comprehensive income, Note 23.

- (c) Corresponds to a leasing agreement with a purchase option entered into with Banco Internacional del Perú S.A.A - Interbank for S/.7,401,000 and a term of 60 months, for the construction of the Real Plaza Santa Clara shopping mall. According to said agreement, the Bank is the owner of such property in its condition of holder of the right of use contracts constituted over the land where this shopping mall has been built.

In order to secure the payment of this funding, Interproperties Peru subscribed an escrow account contract with Interbank, through which it binds to channel all the future cash flows originated from the credit rights derived, generated or caused, as consequence of each and every asset comprised in the Real Plaza Santa Clara shopping mall, with the exception of power and water supply, air conditioning, maintenance expenses and remaining ordinary expenses, and promotional funds, to the current accounts that comprise the escrow account so that these assets serve as security for the guaranteed obligations, Note 4 (d).

As of December 31, 2013 and 2012, Interproperties Holding (SPE) has disbursed and recorded interest expenses for an approximate amount of S/.385,000 and S/.495,000, respectively, which are recorded in the "Financial expenses" caption of the consolidated statements of comprehensive income, Note 23.

- (d) Corresponds to a leasing agreement with Banco de Crédito del Perú (hereinafter "BCP"), for an approximate amount of S/.54,748,000, over a term of 120 months, for the properties Interseguro sold through a surface right contract. This loan was used mainly for the acquisition of the property where Real Plaza Chiclayo shopping mall is located.

BCP put at disposal the buildings in leasing in favor of Interproperties Peru, who it made the payment of an initial installment amounting to S/.18,748,000 on October 28, 2009, in accordance with the leasing contract.

## Notes to the consolidated financial statements (continued)

This obligation is associated solely with the Real Plaza Chiclayo project and is provided with a guarantee and management trust through La Fiduciaria S.A., which securitized the future cash flows of the collection rights of the contracts of lease, sublease, usufruct and any other type of contract that the lessees of Real Plaza Chiclayo shopping mall must pay for: (a) rent (fixed and/or variable), use, penalties, indemnifications, key rights and/or any type of consideration for the use or enjoyment of said premises; (b) commissions on events and sponsorships or the leases of spaces for advertisement; and, (c) in a general way, any type of collection related to the activity of Real Plaza Chiclayo shopping mall, which constitute the assets in trust that have been transferred to the trust managed by La Fiduciaria S.A. In order to secure this funding, a new guarantee called "Reserve account" has been constituted, which as of December 31, 2013, amounted to approximately S/.1,605,000, Note 4(d).

The main obligations assumed by Interproperties Perú according to the contract and related only to the Real Plaza Chiclayo shopping mall net assets are the following:

- The net assets related to Real Plaza Chiclayo shopping mall the Equity Trust maintains as guarantee during the term of the contract must have a value of at least S/.32,000,000.
- The Equity Trust will refrain from maintaining short-term obligations greater than US\$1,000,000.
- The Equity Trust will refrain from obtaining, during the term of the contract, new long-term loans related to Real Plaza Chiclayo Shopping malls, without prior authorization by BCP.
- The Equity Trust maintains holds during the term of the contract, the following financial ratios which must be calculated based upon the financial performance of the related assets:
  1. Cash flow coverage ratio for debt service higher than 1.25.
  2. Cash flow ratio not lower than 1.5.
  3. Maintain in-force contracted fixed income which in aggregate represents an annual income of not less than US\$2,200,000.

In the opinion of InRetail Real Estate's Management, these obligations have been complied satisfactorily and are within the agreed limits.

- (e) During 2012, Interproperties Holding II (SPE), decided to enlarge Real Plaza Chiclayo shopping mall (hereinafter "Enlargement of Section 2A"), for which on December 26, 2012, signed an addendum to the Framework Contract with BCP, which committed to finance the project up to US\$12,500,000. As of December 31, 2012, the Expansion of Section 2A was under construction and as of December 31, 2013, it is already operating; therefore, Interproperties Holding II has recorded the corresponding liabilities at such dates.

## Notes to the consolidated financial statements (continued)

As of December 31, 2012, Interproperties Holding II (SPE) has recorded expenses for structuring commissions of this debt, related to the expansion of Section 2A, for an approximate amount of S/.776,000, Note 23.

- (f) During 2013, Interproperties Holding II (SPE) continued the expansion of Real Plaza Chiclayo shopping mall (hereinafter "Enlargement of Section 2B"), for which it signed an addendum to the leasing agreement with BCP, which committed to finance the project for up to US\$7,500,000. As of December 31, 2013, the expansion of Section 2B is under construction; however, Interproperties Holding II (SPE) has recorded the corresponding liabilities at such dates.
- (g) Corresponds to a medium-term loan contract with BCP, for an amount of US\$12,000,000, with a term of 116 months, disbursed in October 2011. This loan was used mainly to complete the investment required to refurbish Real Plaza Primavera shopping mall.

In order to underwrite this financing, the following guarantees have been constituted: (i) a cash flow trust, as detailed in Note 4(d), as of December 31, 2013 and 2012 the Company and its Subsidiaries maintain S/.1,322,000 and S/.2,778,000, respectively, in fulfillment of this guarantee, (ii) an asset trust and (iii) a fixed income payment bond.

For the cash flow trust, the Administrative Entity subscribed with charge to Interproperties Perú, a guarantee trust with La Fiduciaria S.A., which securitized the future cash flows of the collection rights of: (a) the contracts of lease, sublease, usufruct and any other type of contract that the lessees of Real Plaza Primavera shopping mall must pay for: (i) rent (fixed and/or variable), use, penalties, indemnifications, key right and/or any type of consideration for the use or enjoyment of said premises; (ii) commissions on events and sponsorships or the leases of spaces for advertisement; and, (iii) in a general way, any type of collection related to the activity of Real Plaza Primavera shopping mall related to the premises of its central and southern zones; and (b) contract of works, which constitute the trusted assets that have been ceded to the Equity trust fund managed by La Fiduciaria S.A.

As described in the paragraph above, the main obligations assumed by Interproperties Perú, and related only to the Real Plaza Primavera shopping mall's net assets according to what is established in the guarantee trust contract, are the following:

- Interproperties Perú shall maintain starting the closing date and during the term of the contract, a debt ratio not higher than 1.00.
- Interproperties Perú must maintain during the term of the contract the following financial ratios:
  1. Cash flow coverage ratio for debt service higher than 1.20.
  2. Cash flow coverage ratio not lower than 1.50.

## Notes to the consolidated financial statements (continued)

3. To maintain in force agreed fixed income corresponding to all premises of the central and southern zones which together represent income of not less than US\$180,300 per month during the following 12 months.
4. Debt coverage ratio not higher than 0.50.

In Management's opinion, these obligations have been complied satisfactorily and are within the established limits.

As of December 31, 2013 and 2012, the Equity Trust Fund made interest disbursements of S/.1,666,000 and S/.1,962,000, respectively, and also accrued interest expenses for an approximate amount of S/.1,843,000 and S/.1,962,000, respectively, which are presented in the "Financial expenses" caption of the consolidated statements of comprehensive income; Note 23.

- (h) In November 2011, Interproperties Holding (SPE) issued through Interproperties Holding Trust, a trust in the Cayman Islands with the purpose of performing this issuance, an offering of US\$185,000,000 in Senior guaranteed notes with a maturity in November 2023, at an annual nominal interest rate of 8.75 percent. This issuance was allocated to Interproperties Holding through a loan agreement with Deutsche Bank AG, London Branch. The funds from this financing were used in the purchase of properties, investments in new real estate projects and debt payment, including the professional fees and expenses related to the issuance. In order to back this financing, the following guarantees were constituted: (i) asset trust and (ii) mortgage guarantee.

This loan was recorded in the consolidated financial statements at amortized cost at an annual effective interest rate of 9.426 percent after considering the respective up-front charges that amounted to S/.18,227,000 (equivalent to US\$6,784,000). The recorded amortized cost of these structuring costs as of December 31, 2013 and 2012 amounted to S/.1,445,000 and S/.1,362,000, respectively, Note 23.

Interproperties Holding must comply, until their maturity and cancellation, with certain obligations and restrictive clauses that are referred to the compliance with financial ratios, the use and enforcement of funds, conditions on dividends distribution, reorganizations and other administrative matters. Amongst the main obligations include:

- Comply with certain financial ratios, such as:
  1. Financial debt/equity ratio, not higher than 2 to 1 for each quarter.
  2. The Equity trust fund and Interproperties Perú or any covered assets shall not be able to enter into new debt unless that at the date of acquisition and afterwards, the leverage ratio is not higher than 10 to 1 during the year ending December 31, 2012, not higher than 8 to 1 for the year ending December 31, 2013, not higher than 5.5 to 1 during the year ending December 31, 2014 and thereafter.



## Notes to the consolidated financial statements (continued)

- The Equity Trust Fund and Interproperties Perú will not be able to enter into debt additional to the existing one by providing the real estate investments as guarantee.
- The financial obligation to BCP cannot exceed US\$12,000,000.

In opinion of InRetail Real Estate's Management, these clauses do not limit its operations and are being fulfilled with the usual practices at international level for these types of transactions.

As of December 31, 2013 and 2012, Interproperties Holding (SPE) performed interest disbursements for S/.43,897,000 and S/.41,759,000, respectively; and accrued interest expenses for approximately S/.45,060,000 and S/.44,906,000, respectively, which are presented in the caption "Financial expenses" of the consolidated statements of comprehensive income, Note 23.

- (i) In May 2012, InRetail Real Estate issued corporate bonds through a private offer for US\$58,000,000 (equivalent to approximately S/.154,918,000). The funds from such issuance were used in the purchase of properties and these bonds generate an annual nominal interest rate of 8.00 percent with a maturity in June 2015. The issued bonds included clauses that demand the Group to fulfill certain administrative matters. In June 2013, these bonds were entirely paid in advance.
- (j) Future minimum payments for the leasing described in subsection (a) of this Note, net of future financial charges, are as follows:

	Related parties		Total	
	Minimum payments S/.(000)	Present value of the leasing installments S/.(000)	Minimum payments S/.(000)	Present value of the leasing installments S/.(000)
Up to 1 year	7,690	4,290	20,373	11,753
Between 1 and 3 years	19,324	10,819	46,200	27,438
Up to 3 years	60,068	44,982	130,747	101,385
Total minimum payments	87,082	60,091	197,320	140,776
Minus- amounts representing finance charges	(26,991)	-	(56,544)	-
<b>Present value of future minimum payments</b>	<b>60,091</b>	<b>60,091</b>	<b>140,776</b>	<b>140,776</b>

Notes to the consolidated financial statements (continued)

(k) Financial obligations are payable as follows:

	2013 S/.(000)	2012 S/.(000)
2013	-	8,550
2014	14,977	9,828
2015	42,851	32,274
2016 onwards	566,038	640,512
	<u>623,866</u>	<u>691,164</u>

## Notes to the consolidated financial statements (continued)

### 15. Income Tax

(a) The Deferred Income Tax assets and liabilities presented in the consolidated statements as of December 31, 2013 and

	2013		2012	
	Deferred asset, net S/.(000)	Deferred liability, net S/.(000)	Deferred asset, net S/.(000)	Deferred liability, net S/.(000)
Patrimonio en Fideicomiso - D.S.N°093-2002 - EF - Interproperties Holding	-	67,111	-	58,111
Patrimonio en Fideicomiso - D.S. N°093-2002-EF- Interproperties Holding II	-	18,189	-	11,189
Real Plaza S.A.	177	-	226	-
InRetail Properties Management S.R.L.	146	-	105	-
<b>Total</b>	<b>323</b>	<b>85,300</b>	<b>331</b>	<b>70,300</b>

(b) Following is the detail of the deferred Income Tax assets and liabilities:

	Balance as of January 1, 2011 S/.(000)	Effect in consolidated statements of income S/.(000)	Balance as of December 1, 2011 S/.(000)	Effect in consolidated statements of income S/.(000)
<b>Deferred assets</b>				
Provision for unpaid vacations	79	19	98	-
Provision for doubtful accounts	-	40	40	-
Depreciation	10	37	47	-
Others	-	17	17	-
	<u>89</u>	<u>113</u>	<u>202</u>	
<b>Deferred liabilities</b>				
Fair value adjustment of investment properties	14,008	10,840	24,848	23,848
Tax depreciation of investment properties	943	3,153	4,096	8,153
Income Tax attributed to trust participants (c)	2,357	606	2,963	7,606
	<u>17,308</u>	<u>14,599</u>	<u>31,907</u>	<u>38,606</u>
<b>Deferred liabilities, net</b>	<u>17,219</u>	<u>14,486</u>	<u>31,705</u>	<u>38,606</u>

## Notes to the consolidated financial statements (continued)

- (c) The Income Tax expense presented in the consolidated statements of income for the years 2013 and 2012 is comprised as follows:

	2013 S/.(000)	2012 S/.(000)	2011 S/.(000)
Current	(2,552)	(574)	(281)
Deferred	<u>(14,681)</u>	<u>(38,591)</u>	<u>(14,486)</u>
<b>Total</b>	<u>(17,233)</u>	<u>(39,165)</u>	<u>(14,767)</u>

### 16. Commitments

During 2013 and 2012, corresponds to guarantee letters in favor of third parties for approximately S/.11,595,000 and S/.9,884,000, respectively, which guarantee the compliance of obligations from contractual agreements related to the real estate projects of Interproperties Holding and Interproperties Holding II.

### 17. Equity

- (a) Capital stock -

As of December 31, 2013, the capital stock of InRetail Real Estate Corp. amounts to S/.1,475,706,000 approximately, represented by 568,201,039 shares (S/.1,315,706,000, represented by 505,701,039 shares as of December 31, 2012), issued at a nominal value of US\$ 1.00 each.

In May 2012, as result of the reorganization of Intercorp Group explained in Note 1(b), the shares of Real Plaza and InRetail Properties Management were contributed for an amount of S/.2,775,000 (equivalent to US\$ 1,039,745), issuing in exchange 1,039,745 shares, issued at a nominal value of US\$1.00 each.

The Board of Directors held on August 8, 2012, authorized the acquisition of the certificates of participation issued by Patrimonio en Fideicomiso D.S. N° 093-2002-EF-Interproperties Holding and Patrimonio en Fideicomiso D.S. N° 093-2002-EF-Interpropoerties Holding II. These acquisitions generated a credit in favor of the holders of such certificates, which were capitalized for S/.395,256,000 (equivalent to US\$149,661,000), and as result 149,661,294 shares were issued, each with a nominal value of US\$1.00. These amounts include the capitalization of retained earnings and capital contributions made in its subsidiaries.

It is worth mentioning that the initial acquisition of the certificates of participation issued by Patrimonio en Fideicomiso D.S. N° 093-2002-EF-Interproperties was performed taking as reference the market value of the contributed shares; nevertheless, because this reorganization was carried out between entities under common control using the pooling of interests method, the accounting of the operation for purposes of the consolidated financial statements was made at their respective book values. Also, as explained in Note 1(b), such transaction is included in the initial balances as of January 1, 2012, of the accompanying consolidated financial statements.

## Notes to the consolidated financial statements (continued)

In October 2012, the Board of Directors approved the issuance of 355,000,000 shares at a nominal value of US\$1.00 each, for a total amount of S/.917,675,000.

In February 2013, the Board of Directors approved the issuance of 62,500,000 shares at a nominal value of US\$1.00 each, for a total amount of S/.160,000,000.

(b) Additional paid-in capital -

The additional paid in capital corresponds to the pooled book value of the shopping malls included in the structure and recorded by InRetail Real Estate as entities under common control, Note 1(b). In this sense, applying the pooling of interest method, InRetail accounted for these transactions under the assumption that those shopping malls were in the consolidated financial statements as of the beginning of the earliest year presented herein and were considered as additional paid in capital.

Likewise, due to the fact that at the year ended December 31, 2012 and 2011, InRetail Real Estate paid in cash for part of these shopping malls to related entities, the contribution paid had been presented as deemed distribution in equity, reducing the corresponding amounts of additional paid in capital and retained earnings for the amount paid and remaining net profit previously recognized by such entities.

(c) Earnings per share -

Earnings per share are calculated by dividing the income of the period attributable to the common shareholders of InRetail Real Estate Corp. by the weighted average number of shares outstanding during the year. Because outstanding instruments with dilutive effect are not held, basic and diluted earnings per share are the same.

## Notes to the consolidated financial statements (continued)

The calculation of basic and diluted earnings per share is presented as follows and, reflects the reorganization described in Note 1(b), and as though the equity structure of InRetail Real Estate would have been effective during all the reported periods:

	Common shares		
	Shares outstanding (000)	Effective days until year's closing	Weighted average of shares (000)
<b>2011 -</b>			
As of January 1, 2011	66,173	365	66,173
Capital contribution	38,165	365	38,165
Cash contribution	11,689	30	974
<b>As of December 31, 2011</b>	<u>116,027</u>		<u>105,312</u>
<b>2012 -</b>			
As of January 1, 2012	116,027	365	116,027
Capital contribution	34,674	213	20,227
Cash contribution	335,000	152	147,917
<b>As of December 31, 2012</b>	<u>505,701</u>		<u>284,170</u>
<b>2013 -</b>			
As of January 1, 2013	505,701	365	505,701
Cash contribution	62,500	335	57,292
<b>As of December 31, 2013</b>	<u>568,201</u>		<u>562,993</u>
<b>2013</b>			
	Net income (numerator) S/.(000)	Shares (denominator)	Earnings per share S/.(000)
Basic and diluted earnings per share	<u>38,795</u>	<u>562,993</u>	<u>0.0689</u>
<b>2012</b>			
	Net income (numerator) S/.(000)	Shares (denominator)	Earnings per share S/.(000)
Basic and diluted earnings per share	<u>104,718</u>	<u>284,170</u>	<u>0.3685</u>
<b>2011</b>			
	Net income (numerator) S/.(000)	Shares (denominator)	Earnings per share S/.(000)
Basic and diluted earnings per share	<u>80,874</u>	<u>105,312</u>	<u>0.7679</u>

## Notes to the consolidated financial statements (continued)

### 18. Income from real estate service

(a) The composition of the balance is presented below:

	2013 S/.(000)	2012 S/.(000)	2011 S/.(000)
<b>Rental income</b>			
Rental income (b)	125,013	94,310	75,506
Key money	2,250	1,567	1,098
Rent of space for publicity	1,833	1,445	295
	<u>129,096</u>	<u>97,322</u>	<u>76,899</u>
<b>Income from management services</b>			
Common expenses (c)	30,497	23,221	18,697
Electricity and water (d)	25,518	18,676	13,947
Promotion and advertisement fund (e)	11,239	7,824	5,377
Advisory and supervision	10,096	838	-
Negotiations of land and buildings	4,518	2,857	-
Parking	1,409	1,117	517
Management services	606	1,266	1,675
Other	1,709	989	686
	<u>85,592</u>	<u>56,788</u>	<u>40,899</u>
	<u>214,688</u>	<u>154,110</u>	<u>117,798</u>

(b) As of December 31, 2013, 2012 and 2011, corresponds to rental income from the economic exploitation of the "Real Plaza" shopping malls.

The composition of the rental income is presented below:

	2013 S/.(000)	2012 S/.(000)	2011 S/.(000)
Fixed rental income	108,238	79,970	65,601
Variable rental income	16,775	14,340	9,905
	<u>125,013</u>	<u>94,310</u>	<u>75,506</u>

(c) Corresponds to income from common expenses that comprise maintenance expenses, safety, administration and supervision of the shopping malls, which are billed to every lessee according to the terms established in the lease contract.

(d) Corresponds to income from electricity and water that are assumed by the Company and are billed later to every lessee of the shopping malls.

(e) Corresponds to income from the activities of promotion and advertisement of the shopping malls, which are billed to every lessee of the shopping malls according to the terms established in the lease contract.

## Notes to the consolidated financial statements (continued)

### 19. Operating costs

(a) The composition of this caption is presented below:

	2013 S/.(000)	2012 S/.(000)	2011 S/.(000)
<b>Cost of rental income</b>			
Property Tax and duties	5,633	3,285	2,694
Landlord leases (b)	5,088	3,835	2,986
Property insurance costs	2,083	898	794
	<u>12,804</u>	<u>8,018</u>	<u>6,474</u>
<b>Cost related to income from management services</b>			
Electricity and water	21,760	16,196	11,839
Advertising and marketing	9,005	6,609	4,953
Safety services	5,692	5,046	4,630
Cleaning	4,942	3,957	3,299
Maintenance and administration of parking lot	4,435	2,745	2,205
Personnel expenses, Note 21(b)	14,483	6,878	3,228
Leases, professional fees and communications	1,136	1,613	1,200
Other costs	1,560	1,420	892
	<u>63,013</u>	<u>44,464</u>	<u>32,246</u>
	<u>75,817</u>	<u>52,482</u>	<u>38,720</u>

(b) Correspond to the leases of land over which Interproperties Holding and Interproperties Holding II have built or have a shopping mall under construction.

### 20. Selling and administrative

(a) The composition of this caption is presented below:

	2013 S/.(000)	2012 S/.(000)	2011 S/.(000)
Administrative expenses	20,552	12,981	14,559
Selling expenses	5,654	5,145	5,506
	<u>26,206</u>	<u>18,126</u>	<u>20,065</u>



## Notes to the consolidated financial statements (continued)

- (b) The components of operating expenses included in the selling and administrative expenses captions are presented below:

	2013		
	Administrative expenses S/.(000)	Selling expenses S/.(000)	Total S/.(000)
Personnel expenses, Note 21(b)	12,458	3,678	16,136
Professional fees	1,651	-	1,651
Depreciation, Note 10(a)	1,003	-	1,003
Amortization	84	-	84
Other expenses	5,356	1,976	7,332
	<u>20,552</u>	<u>5,654</u>	<u>26,206</u>
	2012		
	Administrative expenses S/.(000)	Selling expenses S/.(000)	Total S/.(000)
Personnel expenses, Note 21(b)	7,633	3,403	11,036
Professional fees	963	-	963
Depreciation, Note 10(a)	610	-	610
Amortization	33	-	33
Other expenses	3,742	1,742	5,484
	<u>12,981</u>	<u>5,145</u>	<u>18,126</u>
	2011		
	Administrative expenses S/.(000)	Selling expenses S/.(000)	Total S/.(000)
Personnel expenses, Note 21(b)	4,701	2,782	7,483
Professional fees	1,940	-	1,940
Depreciation	439	-	439
Amortization	30	-	30
Other expenses	7,449	2,724	10,173
	<u>14,559</u>	<u>5,506</u>	<u>20,065</u>

## Notes to the consolidated financial statements (continued)

### 21. Personnel expenses

(a) The composition of this caption is presented below:

	2013 S/.(000)	2012 S/.(000)	2011 S/.(000)
Salaries	15,995	10,396	6,385
Regular bonuses	5,064	2,948	2,048
Social security	1,930	1,160	607
Severance indemnities	1,855	1,108	577
Workers' profit sharing	2,151	439	32
Vacations	1,628	1,030	526
Other personnel expenses	1,996	833	536
	<u>30,619</u>	<u>17,914</u>	<u>10,711</u>

(b) The distribution of personnel expenses is presented below:

	2013 S/.(000)	2012 S/.(000)	2011 S/.(000)
Operating costs, Note 19(a)	14,483	6,878	3,228
Administrative expenses, Note 20(b)	12,458	7,633	4,701
Selling expenses, Note 20(b)	3,678	3,403	2,782
	<u>30,619</u>	<u>17,914</u>	<u>10,711</u>

### 22. Other income (expenses), net

During 2013, corresponds mainly to the collection of the execution of the guarantee letter received by Masterwall for nonperformance of work in Huánuco realized in March, 2013 by an amount of S/.1,534,000.

## Notes to the consolidated financial statements (continued)

### 23. Financial income and expenses

The composition of this caption is presented below:

	2013 S/.(000)	2012 S/.(000)	2011 S/.(000)
<b>Income</b>			
Interest on bonds	6,373	-	-
Interests on deposits	4,157	5,162	487
Interests from granted loans	2,577	730	168
Gain from valuation of financial instruments, note 5	-	5,297	-
Gain from sales of securities	-	2,097	-
Others	442	7	163
	<u>13,549</u>	<u>13,293</u>	<u>818</u>
<b>Expenses</b>			
<b>Interest expenses</b>			
Interest on long-term bank loan, Note 14 (h)	(45,060)	(44,906)	(6,428)
Interest on debt issuance, Note 14 (i)	(6,028)	(6,151)	-
Leasing - Real Plaza Chiclayo, Note 14(d), (e) y (f)	(5,511)	(3,075)	(2,768)
Medium-term bank loan - Real Plaza Primavera, Note 14(g)	(1,843)	(1,962)	(363)
Debt structuring expenses, Note 14(h)	(1,445)	(1,362)	(864)
Loss for valuation of financial instruments, Note 5	(1,382)	-	-
Leasing - Real Plaza Santa Clara, Note 14 (c)	(385)	(495)	(286)
Interest on loans	(61)	(952)	(3,530)
Interest on securitized bonds	-	-	(10,184)
Obligations with related parties	-	(1,212)	(1,133)
Other financial expenses	(2,389)	(3,723)	(1,563)
	<u>(64,104)</u>	<u>(63,825)</u>	<u>(27,119)</u>

### 24. Tax situation

- (a) InRetail Real Estate Corp. has been constituted in Panama; therefore, it is not subject to any income tax.

Entities and individuals not domiciled in Peru must pay an additional tax of 4.1 percent over the received dividends. The entity that distributes the dividends is responsible of performing the withholding of such tax.

- (b) Real Plaza and InRetail Properties Management are domiciled in Peru and are subject to the Peruvian tax regime and calculate their Income Tax on the basis of their separate financial statements. As of December 31, 2013 and 2012, the statutory Income Tax rate was 30 percent on the taxable income.

## Notes to the consolidated financial statements (continued)

- (c) According to the provisions of the Law No. 29663, subsequently amended by the Law No. 29757, capital gains derived from the indirect disposal of Peruvian shares are deemed to be sourced in Peru.

To this extent, an indirect disposal of Peruvian shares occurs when shares issued by non-Peruvian entities are transferred, provided that such entity holds, directly or indirectly, shares (or participation interests) of one or more Peruvian subsidiaries ("indirect transfer"), and:

- At least 50% of the fair market value of the non-resident corporation derives from the Peruvian shares held, at any time within the 12 months preceding the disposition.
  - At least 10% of the shares issued by the non-resident corporation are transferred.
- (d) Transactions entered into between related parties and/or with tax heaven residents fall into the scope of the Peruvian Transfer Pricing rules. Such rules are based on the application of the arm's length principle, as understood by the OECD. It is important to mention that Transfer Pricing rules are only applicable for Income Tax purposes, and adjustments are allowed under certain conditions only. Based on the analysis of operations of InRetail, its Management and legal advisors believe that the implementation of these standards does not generate any significant contingencies for InRetail Real Estate as of December 31, 2013 and 2012.
- (e) The Peruvian Tax Authority is legally entitled to perform tax audit procedures on local taxpayers for up to four years subsequent to the year of the presentation of the tax return. The Tax Authority is entitled to challenge the Income Tax calculation performed by such taxpayers. In the case of the Subsidiaries of InRetail Real Estate Corp., the years subject to tax audit procedures by the Tax Authority are detailed below:

	Income Tax	IGV
Real Plaza S.R.L.	From 2009 to 2013	From 2009 to 2013
InRetail Properties Management S.R.L.	From 2010 to 2013	From 2010 to 2013

In accordance with Peruvian law, Interproperties Holding and Interproperties Holding II are not considered to be taxpayers due to their condition as trusts but they attribute their obtained income, net losses and tax credits on their foreign source income to the holders of their certificates of participation.

Due to the possible interpretations that the Tax Auditory may give to the legal regulations currently in force, it is not possible to determine, to date, whether the examinations performed will or will not result in liabilities for InRetail Real Estate and its Subsidiaries. Thus, any higher tax or charges that could result from eventual tax examinations would be applied to the results of the period in which such tax or surcharge are determined.

In the opinion of the Management of InRetail Real Estate and of its legal advisors, any subsequent additional settlement of taxes would not be significant for the consolidated financial statements as of December 31, 2013 and 2012.

## Notes to the consolidated financial statements (continued)

### 25. Transactions with Headquarters and related companies

(a) The main transactions with related parties recorded in the consolidated income statements for the years 2013, 2012 and 2011, as the following:

	2013 S/.(000)	2012 S/.(000)	2011 S/.(000)
<b>Income</b>			
Supermercados Peruanos S.A.	34,588	20,734	17,467
Tiendas Peruanas S.A.	17,056	12,004	10,184
Homecenters Peruanos S.A.	16,452	6,240	108
Cineplex S.A.	10,123	8,410	4,957
Banco Internacional del Perú S.A.A. - Interbank	4,239	3,047	2,772
Bembos S.A.C.	1,875	1,381	829
Eckerd Perú S.A.	1,431	471	299
Colegios Peruanos S.A.C.	848	190	-
Alert del Perú S.A.	786	560	-
Interseguro Compañía de Seguros S.A.	321	710	-
Other related companies	2933	1677	724
	<u>90,652</u>	<u>55,424</u>	<u>37,340</u>
	2013 S/.(000)	2012 S/.(000)	2011 S/.(000)
<b>Administrative services expenses and other services</b>			
Banco Internacional del Perú S.A.A.- Interbank	2,104	2,077	-
Supermercados Peruanos S.A.	608	505	-
Interseguro Compañía de Seguros S.A.	3,555	1,239	1,535
Other related companies	672	727	367
	<u>6,939</u>	<u>4,548</u>	<u>1,902</u>

## Notes to the consolidated financial statements (continued)

- (b) As result of transactions with related parties, InRetail Real Estate presents the following balances in the consolidated statements of financial position as of December 31, 2013 and 2012:

	2013 S/.(000)	2012 S/.(000)
<b>Trade and other receivable</b>		
Home Centers	27,779	12,009
Intercorp Perú Ltd.	24,394	78,479
Supermercados Peruanos S.A.	14,464	956
Inmobiliaria Puerta del Sol S.A.	2,047	-
Tiendas Peruanas S.A	1,638	442
Interseguro Compañía de Seguros S.A.	1,344	240
Banco Internacional del Perú S.A.A.-Interbank	409	165
Cineplex S.A.	332	274
Bembos	110	104
Eckerd Perú S.A.	49	-
Urbi Propiedades S.A.	-	804
Other related companies	2,147	1,230
	<u>74,713</u>	<u>94,704</u>
<b>Trade and other payable</b>		
Participación Puerta del Sol S.A.	-	6,613
Interseguro Compañía de Seguros S.A.	510	429
Supermercados Peruanos S.A.	235	-
Tiendas Peruanas S.A	137	364
Cineplex S.A.	27	-
Other related companies	337	287
	<u>1,246</u>	<u>7,693</u>
<b>Financial obligations</b>		
<b>Leasing</b>		
Banco Internacional del Perú S.A.A.-Interbank, Note 14	60,091	5,869

- (c) As of December 31, 2013, includes receivables of the transfer of real estate located at Brazil Avenue in the city of Cusco, for an amount of S/24,875,000, from which 50 percent correspond to Supermercados Peruanos S.A. and 50 percent to Homecenters Peruanos S.A.; to the date of this report, S/6,962,000 have been cancelled (as of December 31, 2012, the balance receivable from Homecenters Peruanos S.A. corresponds to a loan obtained whose purpose is to finance its investment projects related to the construction of its stores in the shopping malls branded "Real Plaza". This balance accrued interests at an annual interest rate of 5 percent and was cancelled in its entirety in February 2013).
- (d) As of December 31, 2013 and 2012, InRetail Real Estate holds balances with its related entity Banco Internacional del Perú S.A.A. - Interbank in the cash and cash equivalent caption for an amount of S/39,877,000 and S/36,389,000, respectively.

## Notes to the consolidated financial statements (continued)

- (e) Transactions with related companies have been performed under normal market conditions. The taxes that these transactions generated, as well as the calculation basis for their determination, are the usual ones in the industry and they are settled in accordance with the current tax regulations.

### 26. Financial risks management

The activities of InRetail Real Estate expose it to a variety of financial risks, which include the effects of the changes in the exchange rates, interest rate, credit and liquidity. The program of risk management of InRetail Real Estate tries to minimize the potential adverse effects in its financial performance.

The Group's Board of Directors is responsible for the overall risk management approach and for the approval of the policies and strategies currently in place. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, and credit risk.

The most important aspects for the management of these risks are:

- (a) Market risk -  
It is the risk that the fair values of the future cash flows of a financial instrument fluctuate due to changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and investments in shares risk. In the case of InRetail Real Estate, the financial instruments affected by market risks include loans, which are exposed to currency risk and interest rate risk.

The sensitivity analysis shown in the following section relates to the position as of December 31, 2013 and 2012. The sensitivity analysis has been prepared considering that the total amount of the net debt and the proportion of financial instruments in foreign currency is constant.

- (i) Interest rate risk -  
It is the risk that the fair values or future cash flows of a financial instrument fluctuate due to changes in market interest rates. InRetail Real Estate manages its interest rate risk through the obtaining of debt with fixed interest rate. As of December 31, 2013 and 2012, InRetail Real Estate does not maintain debts at variable rate, which would be exposed to the risk of change in the interest rate.

## Notes to the consolidated financial statements (continued)

The information on financial instruments with fixed interest rates is presented below:

	Fixed interest rate S/.(000)	Not sensitive to interest rate S/.(000)	Total S/.(000)	Average interest rate as of December 31, 2013 %
<b>Financial assets</b>				
Cash and cash equivalents	71,094	9,725	80,819	4.13
Investments at fair value through profit or loss	-	-	-	-
Trade receivables	-	19,111	19,111	-
Accounts receivable from related parties	64,294	10,419	74,713	5.85
Other receivables	253	6,222	6,475	8.75
<b>Financial liabilities</b>				
Trade payables	-	51,666	51,666	-
Accounts payable to related parties	-	1,246	1,246	-
Other liabilities	-	29,613	29,613	-
Financial obligations	623,866	-	623,866	8.64
	Fixed interest rate S/.(000)	Not sensitive to interest rate S/.(000)	Total S/.(000)	Average interest rate as of December 31, 2012 %
<b>Financial assets</b>				
Cash and cash equivalents	183,692	32,032	215,724	4.04
Investments at fair value through profit or loss	-	439,971	439,971	-
Trade receivables	-	12,458	12,458	-
Accounts receivable from related parties	90,488	4,216	94,704	6.73
Other receivables	-	1,336	1,336	-
<b>Financial liabilities</b>				
Trade payables	-	22,231	22,231	-
Other liabilities	-	7,693	7,693	-
Accounts payable to related parties	116	20,953	21,069	8.00
Financial obligations	691,164	-	691,164	8.50



## Notes to the consolidated financial statements (continued)

As described in Note 12, InRetail Real Estate only has debt instruments with fixed interest rates, so Management considers that the fluctuations in the interest rates, which are at market rates, will not affect significantly the operations of InRetail Real Estate in the next 12 months.

(ii) Exchange rate risk -

It is the risk that the fair values or future cash flows of a financial instrument fluctuate due to changes in exchange rates. The exposure of InRetail Real Estate to exchange rate risk is related mainly to the operating activities of InRetail Real Estate related to rental income in foreign currency and financial obligations.

As of December 31, 2013 and 2012, assets and liabilities by currency were the following (expressed in US\$ dollars):

	2013 US\$(000)	2012 US\$(000)
<b>Assets</b>		
Cash and cash equivalents	1,374	3,193
Trade receivables	920	1,315
Other receivables	4,607	4,263
Accounts receivable from related parties	198	79
	<u>7,099</u>	<u>8,850</u>
<b>Liabilities</b>		
Trade payables	205	174
Accounts payable from related parties	168	19
Other liabilities	622	584
Financial obligations	209,270	121,589
	<u>210,265</u>	<u>122,366</u>
<b>Net liability position</b>	<u>(203,166)</u>	<u>(113,516)</u>

InRetail Real Estate is exposed to the effects of fluctuations in the exchange rates of the prevailing foreign currency in its financial position and cash flows. Management sets limits on the exposure levels by currency for the entirety of the daily operations which are monitored daily.

Transactions in foreign currency are performed at free market exchange rates. As of December 31, 2013, the market weighted average exchange rate for transactions in US dollars was S/.2.794 per US\$1.00 bid and S/.2.796 per US\$1.00 ask (S/.2.549 per US\$1.00 bid and S/.2.551 for US\$1.00 ask as of December 31, 2012).

During 2013, InRetail Real Estate has incurred a net loss for exchange difference of approximately S/.49,903,000 (net gain of S/.32,761,000 and S/.3,946,000, for the years ended December 31, 2012 and 2011; respectively), which is presented in the caption "Exchange difference, net" of the consolidated statements of comprehensive income.

## Notes to the consolidated financial statements (continued)

InRetail Real Estate manages the exchange rate risk by monitoring and controlling the values of the exchange position that is not significant in Nuevos Soles (functional currency) exposed to the movements in the exchange rates. InRetail Real Estate measures its yield in Nuevos Soles so that if the exchange position in foreign currency is positive, any depreciation of the US dollar would be affected in a negative manner by the consolidated statements of financial position of InRetail Real Estate. The current position in foreign currency comprises the assets and liabilities that are indicated at the exchange rate. Any devaluation/revaluation of the foreign currency would affect the statements of comprehensive income.

The following table presents the sensitivity analysis of US dollars, the currency at which InRetail Real Estate has a significant exposure as of December 31, 2013 and 2012, in its monetary assets and liabilities and its estimated cash flows. The analysis determines the effect of a reasonably possible change of the US dollar exchange rate, considering other variables to be constant in the consolidated statement of income. Any negative amount shows a potential net decrease in the consolidated statement of income, while a positive amount reflects a net potential increase.

Sensitivity analysis	Change in exchange rates %	Income (expense)	
		2013 S/.(000)	2012 S/.(000)
Devaluation -			
US dollars	5	28,403	14,480
US dollars	10	56,807	28,959
Revaluation -			
US dollars	5	(28,403)	(14,480)
US dollars	10	(56,807)	(28,959)

(b) Credit risk -

It is the risk that a counterparty could not comply with its obligations regarding a financial instrument or sales contract, thus generating a financial loss. InRetail Real Estate is exposed to credit risk for its operating activities (mainly accounts receivable and loans) and for its financing activities, including bank deposits.

Credit risk related to accounts receivable -

The credit risk of clients is managed by Management, and it is subject to policies, procedures and controls properly established. The pending balances on accounts receivable are reviewed periodically to assure their recovery. As of December 31, 2013 and 2012, InRetail Real Estate has 521 and 496 clients, respectively. The maximum exposure to credit risk at the date of the consolidated statement of financial position is the book value of each class of financial asset, Note 5.

## Notes to the consolidated financial statements (continued)

Credit risk related to financial instruments and bank deposits -

The credit risk of bank balances is managed by Management in accordance with the policies of InRetail Real Estate. The investments of cash surpluses are performed through a first-level related financial institution. The maximum exposure to credit risk as of December 31, 2013 and 2012, is the book value of the balances of cash and cash equivalent shown in Note 4.

(c) Liquidity risk -

Liquidity is controlled through the matching of the maturities of assets and liabilities, the obtaining of credit lines and/or maintaining of liquidity surpluses, which allows InRetail Real Estate to develop its activities in a normal way.

Managing liquidity risk implies maintaining sufficient cash and financing availability, through a suitable amount of committed credit sources and the ability to settle transactions, mainly of indebtedness. In this matter, Management directs its efforts to maintain financing sources through the availability of credit lines.

## Notes to the consolidated financial statements (continued)

The following table shows the maturity of the obligations contracted by InRetail Real Estate at the date of the consolidated financial statements and the amounts to disburse at their maturities, based on non-discounted payments that will be made:

	Less than 1 month S/.(000)	More than 1 month and less than 3 months S/.(000)	More than 3 months and less than 1 year S/.(000)	More year a than 5 S/.(000)
<b>As of December 31, 2013</b>				
Financial obligations				
Principal amortization	1,323	1,732	11,922	152,000
Cash flow for interest payment	730	1,112	54,902	189,000
Trade payables	21,581	11,013	19,072	
Accounts payable to related parties	-	1,217	29	
Other liabilities	758	4,878	23,977	
	<u>24,392</u>	<u>19,952</u>	<u>109,902</u>	<u>341,000</u>
<b>As of December 31, 2012</b>				
Financial obligations				
Principal amortization	572	1,184	6,794	259,000
Cash flow for interest payment	398	755	45,820	175,000
Trade payables	4,380	5,823	12,028	
Accounts payable to related parties	6,706	94	893	
Other liabilities	669	3,800	16,600	
	<u>12,725</u>	<u>11,656</u>	<u>82,135</u>	<u>434,000</u>

## Notes to the consolidated financial statements (continued)

(d) Real estate risk -

It is the possibility of losses due to the changes or the volatility of the market prices of market of properties.

The following properties are deemed as assets subject to real estate risk:

- Properties on which real rights exist, both those used for investing purposes and those for own use.
- Securities representative of shares of real estate companies, which are those that generate periodic income from this activity or are dedicated to real estate investing.
- Certificates of participation in collective schemes of real estate investments, both private and public.
- Participations in real estate trusts.

InRetail Real Estate has identified the following risks associated to the real estate investment portfolio:

- The cost of the development projects can increase if there are delays in the planning process. InRetail Real Estate receives services from experts for the requirements of specific planning at the project's location in order to reduce the risks that could arise in the planning process.
- An important tenant can become insolvent, thus generating a significant loss in rental income and a decrease in the value of the associated property. To reduce this risk, InRetail Real Estate reviews the financial situation of all the possible tenants and decides on the suitable level of security needed, such as lease deposits or guarantees.
- The exposure of the fair values of the real estate property portfolio, as well as the cash flows generated by occupants and/or tenants.

## Notes to the consolidated financial statements (continued)

### 27. Fair value of financial instruments -

Fair value is defined as the amount at which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction, assuming an on-going enterprise.

When a financial instrument is traded on an active and liquid market, its quoted market price in an actual transaction provides the best evidence of its fair value. When a quoted market price is not available, or may not be indicative of the fair value of the financial instrument, to determine such fair value it is possible to use the current fair value of another financial instrument that is substantially similar, discounted cash flow analysis or other techniques applicable thereto, all of which are significantly affected by the assumptions applied. Although Management uses its best judgment in estimating the fair value of these financial instruments, there are inherent weaknesses in any estimation technique. As a result, the fair value may not be indicative of the net realizable value or settlement value of the financial instruments.

The following methods and assumptions were used to estimate the fair values of the financial instruments:

- (a) Financial Instruments whose fair value is similar to their book value -  
For financial assets and liabilities that are liquid or have short-term maturities (less than three months), such as cash and cash equivalents, trade receivables, accounts receivable from related parties and other receivables, trade accounts payable and other current liabilities, it is deemed that their book values are similar to their fair values.
  
- (b) Financial instruments at fixed rate -  
The fair value of the financial assets and liabilities at fixed rate and at amortized cost is determined by comparing the market interest rate at the moment of their initial recognition to the current market rates related to similar financial instruments. The estimated fair value of financial obligations that accrue interests is determined through discounted cash flows by using the currently available rates for debts with similar conditions, credit risk and maturities.

## Notes to the consolidated financial statements (continued)

On the basis of the criteria mentioned before, following is a comparison between the book value and fair value of the financial instruments held by InRetail Real Estate in its consolidated financial statements:

	2013		2012	
	Book value S/.(000)	Fair value S/.(000)	Book value S/.(000)	Fair value S/.(000)
<b>Financial assets -</b>				
Cash and cash equivalents	80,819	80,819	215,724	215,724
Investment at fair value through profit or loss	-	-	439,971	439,971
Trade receivables	19,111	19,111	12,458	12,458
Accounts receivable from related parties	74,713	74,713	94,704	94,704
Other receivables, net	8,166	8,166	1,336	1,336
<b>Financial liabilities -</b>				
Trade payables	51,666	51,666	22,231	22,231
Accounts payable to related parties	1,246	1,246	7,693	7,693
Other liabilities	29,613	29,613	21,069	21,069
Financial obligations with local entities	168,834	168,834	87,192	87,192
Financial obligations with foreign entities	455,032	445,005	603,972	592,122

### 28. Subsequent events

Since December 31, 2013, until the date of the present report, there has not been significant event affecting the consolidated financial statements.

**InRetail Real Estate Corp. and Subsidiaries**

Interim consolidated financial statements as of March 31, 2014 and  
for the three-month periods ended March 31, 2014 and 2013



## InRetail Real Estate Corp. and Subsidiaries

### Consolidated statements of financial position

As of March 31, 2014 (unaudited) and December 31, 2013 (audited)

	Note	March 31, 2014 S/.(000)	December 31, 2013 S/.(000)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalent	5	40,465	80,819
Trade receivables	6	19,055	19,111
Accounts receivable to related parties	25(b)	77,401	74,713
Other receivables	7	9,456	6,475
Prepaid expenses	8	4,121	4,882
Recoverable taxes	9	35,669	27,459
<b>Total current assets</b>		<u>186,167</u>	<u>213,459</u>
Recoverable taxes	9	101,606	101,674
Facilities, furniture and equipment, net	10	3,121	3,428
Investment properties	11	2,143,795	2,052,896
Other assets		12,105	9,302
Deferred Income tax asset	15(a)	323	323
<b>Total assets</b>		<u>2,447,117</u>	<u>2,381,082</u>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade payables	12	44,121	51,666
Accounts payable to related parties	25(b)	2,126	1,246
Other liabilities	13	45,315	29,613
Current portion of long-term financial obligations	14	14,178	14,977
<b>Total current liabilities</b>		<u>105,740</u>	<u>97,502</u>
Other long-term liabilities	13	28,109	16,322
Long-term financial obligations	14	633,316	608,889
Deferred Income tax liability	15(a)	91,765	85,300
<b>Total liabilities</b>		<u>858,930</u>	<u>808,013</u>
<b>Equity</b>			
	17		
Capital stock		1,475,706	1,475,706
Retained earnings		107,931	92,859
		<u>1,583,637</u>	<u>1,568,565</u>
<b>Non-controlling interest</b>		<u>4,550</u>	<u>4,504</u>
<b>Total equity</b>		<u>1,588,187</u>	<u>1,573,069</u>
<b>Total liabilities and equity</b>		<u>2,447,117</u>	<u>2,381,082</u>

The accompanying notes are an integral part of these interim consolidated statements.

## InRetail Real Estate Corp. and Subsidiaries

### Consolidated statements of income and other comprehensive income (unaudited)

For the three-month periods ended March 31, 2014 and 2013

	Note	2014 \$/(,000)	2013 \$/(,000)
Rental income	18	41,405	29,364
Income from management services	18	24,632	17,848
Cost related to income from management services	19	<u>(19,101)</u>	<u>(13,560)</u>
<b>Net rental income</b>		46,936	33,652
Cost of rental income	19	<u>(4,587)</u>	<u>(2,687)</u>
<b>Gross profit</b>		42,349	30,965
Fair value adjustment for investment properties	11(d)	4,171	1,131
Selling and administrative expenses	20	(6,560)	(5,810)
Other income (expenses), net	22	<u>68</u>	<u>1,056</u>
<b>Operating profit</b>		40,028	27,342
Financial income	23	1,064	5,349
Financial expenses	23	(16,650)	(16,794)
Exchange difference, net	26(a)(ii)	<u>(2,497)</u>	<u>(9,915)</u>
<b>Profit before Income Tax</b>		21,945	5,982
Income tax	15(c)	<u>(6,827)</u>	<u>(2,330)</u>
<b>Net profit</b>		<u>15,118</u>	<u>3,652</u>
<b>Attributable to:</b>			
InRetail Real Estate Corp. shareholders		15,072	3,652
Non-controlling interest		<u>46</u>	<u>-</u>
<b>Net profit</b>		15,118	3,652
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u>15,118</u>	<u>3,652</u>
<b>Earnings per share:</b>	17(b)		
Basic and diluted profit per share attributable to InRetail Real Estate Corp. shareholders		<u>0.0266</u>	<u>0.0071</u>

The accompanying notes are an integral part of these interim consolidated statements.

## InRetail Real Estate Corp. and Subsidiaries

### Consolidated statements of changes in equity (unaudited)

For the three-month periods ended March 31, 2014 and 2013

	Attributable to owners of the Parent			Non-controlling interest S/.(000)	S
	Capital stock S/.(000)	Retained earnings S/.(000)	Total S/.(000)		
<b>Balance as of January 1, 2013</b>	1,315,706	54,574	1,370,280	2,665	1,3
Net income	-	3,652	3,652	-	
<b>Total comprehensive income</b>	<u>1,315,706</u>	<u>58,226</u>	<u>1,373,932</u>	<u>2,665</u>	<u>1,3</u>
Cash contributions, Note 17(a)	160,000	-	160,000	1,329	1
<b>Balance as of March 31, 2013</b>	<u>1,475,706</u>	<u>58,226</u>	<u>1,533,932</u>	<u>3,994</u>	<u>1,5</u>
<b>Balance as of January 1, 2014</b>	1,475,706	92,859	1,568,565	4,504	1,5
Net income	-	15,072	15,072	46	
<b>Total comprehensive income</b>	<u>1,475,706</u>	<u>107,931</u>	<u>1,583,637</u>	<u>4,550</u>	<u>1,5</u>
<b>Balance as of March 31, 2014</b>	<u>1,475,706</u>	<u>107,931</u>	<u>1,583,637</u>	<u>4,550</u>	<u>1,5</u>

The accompanying notes are an integral part of these interim consolidated statements.

## InRetail Real Estate Corp. and Subsidiaries

### Consolidated statements of cash flows (unaudited)

For the three-month periods ended March 31, 2014 and 2013

	2014 S/.(000)	2013 S/.(000)
<b>Operating activities</b>		
Net profit	15,118	3,652
<b>Non-cash adjustment to reconcile profit before tax to net cash flow</b>		
Allowance for doubtful accounts receivable	295	357
Depreciation of facilities, furniture and equipment	392	170
Amortization of intangible assets	22	18
Fair value adjustment for investment properties	(4,171)	(1,131)
Exchange difference	2,497	9,915
Investment in associate	(68)	-
Deferred income tax	6,465	1,855
<b>Working capital adjustments</b>		
(Decrease) increase in trade accounts receivable	(239)	932
(Decrease) increase in other accounts receivable	(2,981)	910
(Decrease) in trade accounts receivable from related parties	(2,688)	(5,467)
Increase (decrease) in prepaid expenses	761	(4,677)
(Decrease) increase in other assets	(1,959)	1,856
Increase in recoverable taxes	3,081	1,519
Increase in deferred income	11,787	670
(Decrease) in trade accounts payable	(1,697)	(3,459)
Increase in other liabilities	15,702	24,792
Increase (decrease) in accounts payable to related parties	179	(7,113)
<b>Net cash provided by operating activities</b>	<u>42,496</u>	<u>24,799</u>
<b>Investing activities</b>		
Loans granted	-	213,240
Purchase or facilities, furniture and equipment, net of acquisitions through leasing contracts	(85)	(182)
Purchase and development of intangible assets	(11)	(75)
Purchase of investment properties	(92,576)	(208,615)
Value added tax payment corresponding to work in progress	(11,223)	(20,448)
<b>Net cash used in investing activities</b>	<u>(103,895)</u>	<u>(16,080)</u>

## Consolidated statements of cash flows (unaudited) (continued)

	2014 S/.(000)	2013 S/.(000)
<b>Financing activities</b>		
Increase (decrease) in borrowings	22,451	(11,937)
Amortization of leasing installments	(1,406)	(858)
Capital contribution	-	160,000
<b>Net cash provided by financing activities</b>	<u>21,045</u>	<u>147,205</u>
<b>Net (decrease) increase of cash and short-term deposits</b>	(40,354)	155,924
Cash and short-term deposits at the beginning of year	<u>80,819</u>	<u>215,724</u>
<b>Cash and short-term deposits at the end of year</b>	<u>40,465</u>	<u>371,648</u>
<b>Non cash transactions</b>		
Increase in investment properties	15,833	-
Leasing contract	-	6,520

The accompanying notes are an integral part of these interim consolidated statements.

## InRetail Real Estate Corp. and Subsidiaries

### Notes to the interim consolidated financial statements (unaudited)

As of March 31, 2014 and for the three-month periods ended March 31, 2014 and 2013

**1. Business activity -**

(a) Identification -

InRetail Real Estate Corp. (hereinafter "the Company") is a holding entity incorporated in April 2012 in the Republic of Panama, is subsidiary of InRetail Perú Corp. The latter is subsidiary of Intercorp Retail Inc., which in turn is a subsidiary of Intercorp Peru Ltd. (a holding company incorporated in The Bahamas, hereinafter "Intercorp Perú"), which is the ultimate holding Company of "Intercorp Perú Group" or the "Group", which refers to Intercorp Perú and its subsidiaries.

As of March 31, 2014 and December 31, 2013 Intercorp Perú holds directly and indirectly 71.45 percent of the capital stock of InRetail Perú Corp., which in turn holds 100 percent of the capital stock of the Company.

The Company's legal address is 50 Street y 74 Street, floor 16 "PH" Building, San Francisco, Republic of Panama. However, its management and administrative offices are located at Av. Carlos Villarán N° 140, Urb. Santa Catalina, La Victoria, Lima, Peru.

The Company and its Subsidiaries, Patrimonio en Fideicomiso - D.S.N°093-2002 - EF - Interproperties Holding, Patrimonio en Fideicomiso - D.S. N°093-2002-EF-Interproperties Holding II, Real Plaza S.R.L., and InRetail Properties Management S.R.L. (hereinafter and together, "InRetail Real Estate "), are dedicated to operating shopping malls as well as real estate development. InRetail Real Estate operations are concentrated in Peru.

The consolidated financial statements as of December 31, 2013 and for the year then ended were approved by Management on May 20, 2014 and the interim consolidated financial statements as of March 31, 2014 and for the three-month periods ended March 31, 2014 and 2013 have been approved by Management on April 30, 2014. These financial statements will be submitted for their approval by the Board of Directors and the General Shareholders' Meeting that will occur within the period established by Law. In Management's opinion, they will be approved without modifications.

## Notes to the interim consolidated financial statements (continued)

### 2. Subsidiaries activities

Following is the description of the Company's main Subsidiaries activities:

- (a) Patrimonio en Fideicomiso - D.S.N°093-2002 - EF - Interproperties Holding and Patrimonio en Fideicomiso - D.S. N°093-2002-EF-Interproperties Holding II (hereinafter "Interproperties Holding" and "Interproperties Holding II", respectively)  
Interproperties Holding e Interproperties Holding II are two special purpose entities (SPEs) formed for the purpose of holding the certificates of participation of Patrimonio en Fideicomiso - D.S. N° 093-2002-EF Interproperties Perú (hereinafter "Interproperties Perú"), which is a trust fund formed with the purpose of holding the real estate assets of InRetail Real Estate and obtains the necessary funding for developing investment plans.

Additionally, Interproperties Holding II owns 95 percent of participation in the net assets of Patrimonio Fideicomitido - D.S. N°093-2002-EF-Interproperties Puerta del Sol which is a special purpose entity formed to own and handle Real Plaza Cusco "San Antonio" Shopping Mall.

- (d) Real Plaza S.R.L. (hereinafter "Real Plaza")  
An entity focused on operating the shopping malls (18 as of March 31, 2014 and December 31, 2013) and maintaining and developing relationships with the tenants. Real Plaza operates under the name of "Real Plaza Shopping Mall".

As of March 31, 2014, Real Plaza manages shopping malls in Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca, Huánuco, Cusco, Cajamarca and Lima.

- (e) InRetail Properties Management S.R.L. (formerly Interproperties Perú S.A., hereinafter "InRetail Properties Management")  
An entity focused on securing new locations and developing shopping malls. Additionally provides the staff which manages and operates Interproperties Holding and Interproperties Holding II.

## Notes to the interim consolidated financial statements (continued)

A summary of the main data of the audited separate financial statements of the Company, its Subsidiaries and its special purpose entities (SPE) as of March 31, 2014 (unaudited) and December 31, 2013, (audited) and for the three-month periods ended March 31, 2014 and 2013 (unaudited) is presented below:

	As of March 31, 2014			For the three-month period ended March 31, 2014
	Assets S/.(000)	Liabilities S/.(000)	Equity S/.(000)	Profit (loss) S/.(000)
<b>Company</b>				
InRetail Real Estate Corp.	1,485,279	10	1,485,269	57
Real Plaza S.R.L.	22,481	18,533	3,948	888
InRetail Properties Management S.R.L	2,763	2,356	407	(738)
<b>Special purpose entities (SPE)</b>				
Patrimonio en Fideicomiso - D.S.N°093-2002 - EF - Interproperties Holding	1,388,603	637,063	751,540	6,546
Patrimonio en Fideicomiso - D.S. N°093-2002-EF-Interproperties Holding II	995,353	209,622	785,731	8,737
	As of December 31, 2013			For the three-month period ended March 31, 2013
	Assets S/.(000)	Liabilities S/.(000)	Equity S/.(000)	Profit(loss) S/.(000)
<b>Company</b>				
InRetail Real Estate Corp.	1,483,138	47	1,483,091	(723)
Real Plaza S.R.L.	17,897	14,837	3,060	(12)
InRetail Properties Management S.R.L	3,599	2,454	1,145	607
<b>Special purpose entities (SPE)</b>				
Patrimonio en Fideicomiso - D.S.N°093-2002 - EF - Interproperties Holding	1,325,940	620,746	705,194	(4,630)
Patrimonio en Fideicomiso - D.S. N°093-2002-EF-Interproperties Holding II	966,066	189,072	776,994	7,082



## Notes to the interim consolidated financial statements (continued)

### 3. Summary of significant accounting policies

The significant accounting policies used in the preparation and presentation of the InRetail Real Estate interim consolidated financial statements are described below:

#### 3.1 Basis of preparation and presentation

The interim consolidated financial statements of InRetail Real Estate have been prepared in accordance with the International Accounting Standard 34 "Interim financial reporting". Also, the accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the InRetail Real Estate's annual consolidated financial statements for the year ended December 31, 2013 which were audited. Therefore, these interim consolidated financial statements should be read in conjunction with such audited consolidated financial statements.

The interim consolidated financial statements have been prepared on a historical cost basis, except for investment properties, which have been measured at fair value. The interim consolidated financial statements are presented in Nuevos Soles and all values are rounded to the nearest thousands of Nuevos Soles (S/.(000)), except where otherwise indicated.

The interim consolidated financial statements do not include all information and disclosures required for annual consolidated financial statements and should be read together with consolidated financial statements as of December 31, 2013.

#### 3.2 New standards and interpretations adopted by InRetail Real Estate-

Several standards and amendments have come into effect from January 1, 2014; however, in the opinion of InRetail Real Estate's Management, they have no impact on the accompanying unaudited consolidated financial statements as of March 31, 2014.

#### 3.3 Significant estimations and assumptions

InRetail Real Estate's Management has used certain estimates and assumptions for the preparation of the interim consolidated financial statements, such as the method of depreciation, useful lives and residual values of facilities, furniture and equipment, fair value of investment properties, impairment of non-financial assets and taxes estimation; therefore, the final results could differ from the amounts recorded by the InRetail Real Estate.

### 4. Seasonality of operations

Due to the seasonal nature of shopping malls segment, higher revenues and operating profits are usually expected in the second half of the year rather than the first three months due to in those months there is a decrease in revenues influenced by the summer vacation months. Higher sales during the period July to August are mainly attributed to the increased in consumer's purchasing power in Peru for legal and other bonuses to the workers, as well as in December, due to increased demand for retail products during the peak of the Christmas season. This information is provided to allow for a proper appreciation of the results; however, except for what it is mentioned above, InRetail Real Estate Management has concluded that this does not constitute "Highly seasonal" as considered by IAS 34 "Interim Financial Reporting".

## Notes to the interim consolidated financial statements (continued)

### 5. Cash and cash equivalent

(a) The composition of this caption is presented below:

	As of March 31, 2014 S/.(000)	As of December 31, 2013 S/.(000)
Time deposits (b)	22,100	71,094
Current accounts (c)	12,714	5,254
Management and security trust current accounts (d)	5,354	3,996
Escrow account	184	447
Cash and petty cash	113	28
	<u>40,465</u>	<u>80,819</u>

(b) As of March 31, 2014, time deposits are unrestricted, maintained in Nuevos Soles in local financial institutions, have maturities of up to one month since its inception and bear annual interests of 4.25 percent annual (between 4.10 and 4.15 as of December 31, 2013).

(c) The current accounts comprise accounts in Nuevos Soles and US dollars, in local financial institutions, free of liens, unrestricted and do not bear interests.

(d) Corresponds to the bank accounts, which serve as means of payment of the guaranteed obligations with regard to the leasing granted by Banco de Crédito del Perú in favor of Interproperties Holding and Interproperties Holding II, Note 14, in compliance with the contract of management and security trust.

### 6. Trade receivables

(a) The composition of this caption is presented below:

	As of March 31, 2014 S/.(000)	As of December 31, 2013 S/.(000)
Bills receivable (b)	16,679	13,983
Unbilled services (c)	5,161	7,616
	<u>21,840</u>	<u>21,599</u>
<b>Minus -</b>		
Allowance for doubtful accounts	<u>(2,785)</u>	<u>(2,488)</u>
	<u>19,055</u>	<u>19,111</u>

(b) As of March 31, 2014 and December 31, 2013, trade accounts receivable are denominated in Nuevos Soles and US dollars, have current maturities and do not accrue interests.

(c) As of March 31, 2014 and December 31, 2013, mainly corresponds to unbilled lease services for variable and fixed rents, which are billed during the following quarter.

## Notes to the interim consolidated financial statements (continued)

(d) As of March 31, 2014 and December 31, 2013, the analysis of trade receivables is as follows:

	As of March 31, 2014		
	Non-impaired S/.(000)	Impaired S/.(000)	Total S/.(000)
<b>Unbilled services</b>	4,710	-	4,710
<b>About to mature</b>			
<b>Past-due</b>			
From 1 to 90 days	8,927	-	8,927
From 91 to 120 days	2,549	-	2,549
From 121 to 180 days	1,821	77	1,898
From 181 to 270 days	602	560	1,162
More than 271 days	446	2,148	2,594
	<u>19,055</u>	<u>2,785</u>	<u>21,840</u>

	As of December 31, 2013		
	Non-impaired S/.(000)	Impaired S/.(000)	Total S/.(000)
<b>Unbilled services</b>	7,616	-	7,616
<b>About to mature</b>	16	-	16
<b>Past-due</b>			
From 1 to 90 days	9,890	-	9,890
From 91 to 120 days	733	112	845
From 121 to 180 days	226	175	401
From 181 to 270 days	153	245	398
More than 271 days	477	1,956	2,433
	<u>19,111</u>	<u>2,488</u>	<u>21,599</u>

Past-due trade accounts receivable mainly correspond to tenants, who hold current contracts at the date of this report and are operating in the shopping malls. Likewise, the past-due accounts which have a payment agreement are considered as not impaired; therefore they do not represent risk of uncollectibility.

## Notes to the interim consolidated financial statements (continued)

- (e) The movement of the provision for impairment as of March 31, 2014 and December 31, 2013 is as follows:

	As of March 31, 2014 S/.(000)	As of December 31, 2013 S/.(000)
Balance as of January 1	2,488	1,882
Additions	295	594
Exchange difference	2	12
	<u>2,785</u>	<u>2,488</u>
Final balance as of	<u>2,785</u>	<u>2,488</u>

In the opinion of InRetail Real Estate Management, the provision for impairment appropriately covers the credit risk as of March 31, 2014 and December 31, 2013.

### 7. Other receivables

- (a) The composition of this caption is presented below:

	As of March 31, 2014 S/.(000)	As of December 31, 2013 S/.(000)
Third - party guarantee	2,750	2,750
Claims (c)	2,389	2,060
Fund retained - SUNAT	605	-
Other	3,712	1,665
	<u>9,456</u>	<u>6,475</u>
	<u>9,456</u>	<u>6,475</u>

- (d) Corresponds to the guarantee provided to a third party for the acquisition of the landlord leases of a land lot in the city of Chiclayo, which will be returned when the InRetail Real Estate makes the first payment of variable rent when operations start on said land.
- (e) Mainly corresponds to the property sales tax (Alcabala Tax) paid in excess to a Municipality amounting to S/.1,934,000 for the purchase of a land lot in the city of Piura, for which Interproperties Holding II has filed a complaint to the Tax Administration Service ("SAT", by its Spanish acronym). In the opinion of InRetail Real Estate's management and its legal advisor's this claim will be resolved in the short term.
- (d) In the opinion of InRetail Real Estate's Management, it is not necessary to make a provision for impairment as of March 31, 2014 and December 31, 2013, as no credit risk has been identified.

## Notes to the interim consolidated financial statements (continued)

### 8. Prepaid expenses

(a) The composition of this caption is presented below:

	As of March 31, 2014 S/.(000)	As of December 31, 2013 S/.(000)
Rents paid in advance (b)	2,414	3,013
Insurances	1,426	1,829
Other	281	40
	<u>4,121</u>	<u>4,882</u>

(b) Mainly corresponds to rental payments made in advance in compliance with surface rights contract for land lots located in the department of Cusco where a real estate project was being developed. The advance corresponds to the payment of 360 months of rent and started accruing from the completion date of the project.

### 9. Recoverable taxes

(a) The composition of this caption is presented below:

By type:	As of March 2014 S/.(000)	As of December 2013 S/.(000)
Tax credit recoverable for value-added-tax (b)	123,407	123,325
Funds held in Banco de la Nación (c)	13,582	5,706
Income Tax payment	286	12
Tax credit	-	90
	<u>137,275</u>	<u>129,133</u>
<b>By term:</b>		
Current	35,669	27,459
Non-current	101,606	101,674
	<u>137,275</u>	<u>129,133</u>

(b) Corresponds to the tax credit for value-added-tax originated mainly by the development and construction of the shopping malls of Lima and provinces, as well as by other payments related to the operations of Interproperties Holding and Interproperties Holding II (SPEs). In the opinion of InRetail Real Estate's Management, this tax credit will be recovered by setting off against to the balances payable of said tax generated mainly by the rental income from InRetail Real Estate's properties.

(c) In accordance with Superintendence Resolution N°183-2004/SUNAT, funds held in Banco de la Nación must be used exclusively for the payment of tax debts, or a cash reimbursement requested. In the case of the Company and Subsidiaries, these funds have been used entirely for tax payments.

## Notes to the interim consolidated financial statements (continued)

### 10. Facilities, furniture and equipment, net

(a) The movement of cost and accumulated depreciation is presented below:

	Facilities S/.(000)	Furniture and fixtures S/.(000)	Transport units S/.(000)
<b>Cost</b>			
Balance as of January 1, 2014	959	2,212	263
Additions	-	1	-
Balance as of March 31, 2014	<u>959</u>	<u>2,213</u>	<u>263</u>
<b>Accumulated depreciation</b>			
Balance as of January 1, 2014	416	951	93
Depreciation of the year, Note 20 (b)	212	64	10
Balance as of March 31, 2014	<u>628</u>	<u>1,015</u>	<u>103</u>
Net cost as of March 31, 2014	<u>331</u>	<u>1,198</u>	<u>160</u>
Net cost as of January 1, 2014	<u>543</u>	<u>1,261</u>	<u>170</u>

(b) As of March 31, 2014 and December 31, 2013, there are not pledges or guarantees provided to third parties on the

(c) As of March 31, 2014 and December 31, 2013, InRetail Real Estate's Management performed an assessment of the impairment indicator on said assets. In its opinion, the book value of the facilities, furniture and equipment is recoverable.

## Notes to the interim consolidated financial statements (continued)

### 11. Investment properties

(a) The composition of this caption is presented below:

	As of March 31, 2014 S/.(000)	As of December 31, 2013 S/.(000)	As of M 20
<b>Built on owned land</b>			
Real Plaza Chiclayo Shopping Mall (ii)	221,595	216,291	DCF
Real Plaza Primavera Shopping Mall (ii)	197,075	195,687	DCF
Real Plaza Piura Shopping Mall (ii)	158,294	155,794	DCF
Real Plaza Trujillo Shopping Mall (ii)	145,961	145,993	DCF and Ap
Real Plaza Cajamarca Shopping Mall (ii)	131,202	128,253	DCF
Real Plaza Santa Clara Shopping Mall (ii)	89,212	87,404	DCF and Ap
Real Plaza Pro Shopping Mall (ii)	78,735	78,232	DCF
Real Plaza Chorrillos Shopping Mall (ii)	44,083	46,053	DCF
Real Plaza Nuevo Chimbote Shopping Mall (ii)	27,340	27,091	DCF
Jirón de la Unión-Stores	23,568	23,375	DCF
Chacarilla	22,054	-	(iv)
Carabaylo	18,966	18,943	(iii)
Tarapoto	13,786	14,289	(iii)
Zapallal	12,254	12,254	(iii)
Cañete Valley land	11,536	11,536	Appraisal
Property in San Juan de Lurigancho	8,567	8,449	DCF
Pisco	2,811	2,811	(iii)
Pueblo Joven Miramar Bajo Mz A Lt 16 - Chimbote - Santa - Ancash (iii)	1,404	1,641	DCF and Ap
<b>Built on surface or usufruct rights</b>			
Real Plaza Salaverry Shopping Mall (i)	326,506	289,783	DCF
Real Plaza "San Antonio" Cusco Shopping Mall (i), (ii), (f)	189,105	176,901	DCF
Real Plaza Huancayo Shopping Mall (i) y (ii)	125,841	118,823	DCF
Real Plaza Huánuco Shopping Mall (i) y (ii)	110,672	110,585	DCF
Real Plaza Arequipa Shopping Mall (i) y (ii)	95,204	94,809	DCF
Real Plaza Juliaca Shopping Mall (i) y (ii)	81,769	82,471	DCF
<b>Usufruct rights</b>			
Peramás (i)	3,788	3,528	Cos
La Curva (i)	851	851	Cos
Moquegua (i)	747	428	Cos
Others	869	621	Cos
	<u>2,143,795</u>	<u>2,052,896</u>	

DCF: Discounted cash flow

- (ii) For the construction of these shopping malls and properties, surface rights contracts were subscribed with the Arzobispado de Huánuco, Municipalidad provincial de Huánuco (on land of "Real Plaza Huánuco" shopping mall), Despensa Peruana S.A. and Mercaderes de la Curva), Gobierno Regional de Moquegua (Moquegua), Ferrovías Central Andina S.A.(Huancayo); the Association denominada "Real Plaza" (Arequipa), Ferrocarril Trasandino S.A.(Juliaca), and the Marina de Guerra del Perú (Salaverry). These contracts have terms of 20 years.
- (ii) Correspond to the "Real Plaza" shopping malls, which comprise a hypermarket, department store, commercial premises, and others. There have been subscribed contracts that include minimum monthly fixed rental payments and variable payments based on sales.
- (iii) Correspond to lands on which real estate projects will be developed, mainly shopping malls branded "Real Plaza". In the opinion of the company, the value of these investment properties does not differ significantly from their fair value as of March 31, 2013 and December 31, 2014, due to the related licenses for their development.
- (iv) Incorporated in March 2014, Note 11(c).

Notes to the interim consolidated financial statements (continued)

(b) The movement of this caption for the three-month periods ended March 31, 2014 is as follows:

	2014 S/.(000)
Balance as of January 1,	2,052,896
Additions (c)	86,728
Fair value adjustment (*)	<u>4,171</u>
Final balance as of March 31,	<u>2,143,795</u>

(\*) The fair value adjustment for the three-month period ended March 31, 2013 amounted to S/.1,131,000.

(c) As of March 31, 2014, correspond mainly to enlargements and/or refurbishing of the following shopping malls and properties:

Shopping mall	Description
Real Plaza Chiclayo	Expansion of the shopping mall including an anchor store (Oeschle), as well as the enlargement of the parking lot for customers.
Real Plaza Cajamarca	Construction of premises for anchor stores where Plaza Veá, Promart, Oeschle and Ripley are operating.
Real Plaza Salaverry	Construction of 70,000 m2 of leasable area, including anchor stores (Promart, Oeschle, Saga Falabella, Ripley, Zara and Plaza Veá), as well as cinema and restaurants zone.
Chacarilla	In March 2014, the subsidiary Interproperties Holding II acquired from a related entity a land in Surco, Lima, and disbursed an amount S/.22,054,000. The ownership of the property is pending to be subscribed in the Public Registry Superintendence. In the opinion of InRetail Real Estate's Management the book value as of March 31, 2014, does not differ significantly from its fair value.



## Notes to the interim consolidated financial statements (continued)

(d) The following table presents the valuation analysis of investment properties recognized in the consolidated statements of financial position:

	As of March 31, 2014			
	Level 1 S/.(000)	Level 2(*) S/.(000)	Level 3(**) S/.(000)	Total S/.(000)
<b>Built on owned land</b>				
Real Plaza Chiclayo Shopping Mall	-	-	221,595	221,595
Real Plaza Primavera Shopping mall (ii)	-	-	197,075	197,075
Real Plaza Piura Shopping Mall	-	-	158,294	158,294
Real Plaza Trujillo Shopping Mall	-	23,165	122,796	145,961
Real Plaza Cajamarca Shopping Mall	-	-	131,202	131,202
Real Plaza Santa Clara Shopping Mall	-	8,292	80,920	89,212
Real Plaza Pro Shopping Mall	-	-	78,735	78,735
Real Plaza Chorrillos Shopping Mall	-	-	44,083	44,083
Real Plaza Nuevo Chimbote Shopping Mall	-	-	27,340	27,340
Jirón de la Unión Stores	-	-	23,568	23,568
Chacarilla (***)	-	-	22,054	22,054
Cañete Valley land	-	11,536	-	11,536
Property in San Juan de Lurigancho	-	-	8,567	8,567
Pueblo Joven Miramar Bajo Mz A Lt 16 - Chimbote - Santa -Ancash	-	1,404	-	1,404
<b>Built on surface or usufruct rights</b>				
Real Plaza Salaverry Shopping Mall	-	-	326,506	326,506
Real Plaza Cusco "San Antonio" Shopping Mall	-	-	189,105	189,105
Real Plaza Huancayo Shopping Mall	-	-	125,841	125,841
Real Plaza Huánuco Shopping Mall	-	-	110,672	110,672
Real Plaza Arequipa Shopping Mall	-	-	95,204	95,204
Real Plaza Juliaca Shopping Mall	-	-	81,769	81,769
	-	44,397	2,045,326	2,089,723

(\*) The fair value of the assets classified as Level 2 has been determined through an appraisal formulated by an independent professional appraiser.

(\*\*) The fair value of the assets classified as Level 3 has been determined through the discounted cash flow methodology.

(\*\*\*) Incorporated in March 2014, Note 11(c).

## Notes to the interim consolidated financial statements (continued)

The fair value of the investment properties has been determined by InRetail Real Estate's Management on the basis of the discounted cash flows method and based on the value assigned by an independent appraiser in the case of the land of investment properties under construction and for those held to operate in the future. The valuation is prepared on an aggregated and deleveraged basis. In order to estimate the fair value of investment properties, Management has used its market knowledge and professional judgment.

A brief description of the cash flow assumptions used as of March 31, 2014 and December 2013, is presented below:

- Long-term inflation -  
It is the increase of the general level of prices expected in Peru for the long term.
- Long-term average occupancy rate -  
It is the expected occupancy level of tenants in the leased properties.
- Average growth rate of rental income -  
It is the index that expresses the rental income growth and includes growth factors of the industry, inflation rates, stable exchange rate, per capita income and increasing expenses.
- Average NOI margin -  
It is projected from the rental income from leasable areas by property and marketing income, less costs related to administration fees, other administrative expenses, insurance, taxes and other expenses.
- Discount rate -  
It reflects the current market risk and the uncertainty associated to the obtaining of cash flows.

The main assumptions used in the valuation and estimation of the market value of investment properties are detailed below:

	Percentage	
	As of March 31, 2014 %	As of March 31, 2013 %
Long-term inflation	2.50	2.50
Long-term average occupancy rate	99.00	99.00
Average growth rate of rental income	2.50	2.50
Average NOI margin	84.00-91.00	90.00-93.00
Discount rate	9.60	9.60

## Notes to the interim consolidated financial statements (continued)

- (f) The sensitivity analysis on the valuation of property investments, against changes in factors deemed relevant by Management, is presented below:

	Rates change	As of March 31, 2014 S/.(000)	As of March 31, 2013 S/.(000)
Average growth rate of rents (basis) - 2.50%			
Increase	+0.25%	56,887	39,050
Decrease	-0.25%	(53,632)	(36,559)
Discount rate (basis) - 9.60%			
Increase	+0.5%	(115,630)	(80,502)
Decrease	-0.5%	129,742	91,496

- (g) As of March 31, 2014 and December 2013, the properties of Santa Clara, Chimbote, Cajamarca, Cañete and Pro, whose book value amounts to approximately S/.338,025,000 and S/.332,516,000, respectively, are part of the asset trust that guarantees the debt with a foreign entity, Note 14.

- (h) The amount of the future minimum fixed rental income by currency corresponding to the lease of the investment properties of InRetail Real Estate is as follows:

Year	Related parties		Third-parties		Total	
	US\$(000)	S/.(000)	US\$(000)	S/.(000)	US\$(000)	S/.(000)
2014	4,466	32,999	2,258	51,252	6,724	84,251
2015	5,948	43,711	2,797	56,389	8,745	100,100
2016	5,880	42,423	2,398	44,358	8,278	86,781
2017	5,820	40,786	2,110	29,468	7,930	70,254
2018	5,693	39,359	1,707	22,974	7,400	62,333
2019-2044	106,086	617,543	29,856	83,385	135,942	700,928
<b>Total</b>	<b>133,893</b>	<b>816,821</b>	<b>41,126</b>	<b>287,826</b>	<b>175,019</b>	<b>1,104,647</b>

## Notes to the interim consolidated financial statements (continued)

### 12. Trade payables

(a) The composition of this caption is presented below:

	As of March 31, 2014 S/.(000)	As of December 31, 2013 S/.(000)
Third parties (b)	28,281	26,669
Provisions for unbilled services but received (c)	<u>15,840</u>	<u>24,997</u>
	<u>44,121</u>	<u>51,666</u>

(b) As of March 31, 2014 and December 31, 2013, trade payables mainly comprise the liabilities with contractors for the construction works and/or refurbishing of shopping malls. Bills payable are denominated in Nuevos Soles and US dollars, do not accrue interests and their maturities are in the current period.

(c) Correspond to provisions for services received but unbilled by suppliers, mainly from services provided by construction companies in the last quarter of the period. In the opinion of InRetail Real Estate's Management, said provisions are enough to fulfill the liabilities once they are billed.

### 13. Other liabilities

(a) The composition of this caption is presented below:

	As of March 31, 2014 S/.(000)	As of December 31, 2013 S/.(000)
Deferred income (b)	28,109	16,329
Interests payable (c)	16,432	6,706
Land purchase (d)	8,879	8,879
Deposits from third parties (e)	2,871	2,255
Taxes payable	530	1,129
Workers' profit sharing	626	1,732
Other payable	<u>15,977</u>	<u>8,905</u>
	<u>73,424</u>	<u>45,935</u>

	As of March 31, 2014 S/.(000)	As of December 31, 2013 S/.(000)
<b>By term:</b>		
Current	45,315	29,613
Non-current	<u>28,109</u>	<u>16,322</u>
	<u>73,424</u>	<u>45,935</u>

## Notes to the interim consolidated financial statements (continued)

- (b) The composition of the deferred income caption is presented below:

	As of March 31, 2014 S/.(000)	As of December 31, 2013 S/.(000)
Key money (b.1)	24,690	12,767
Advanced rents (b.2)	3,419	3,555
Others	<u>-</u>	<u>7</u>
	<u>28,109</u>	<u>16,329</u>

- (b.1) As of March 31, 2014 and December 31, 2013, corresponds to the payment of key money from several tenants that operate in the Real Plaza shopping malls.

The movement of the deferred income of key money for the three-month period ended March 31, 2014 is as follows:

	2014 S/.(000)
<b>Balance as of January 1,</b>	12,767
Additions	12,714
Accrued key money	<u>(791)</u>
<b>Balance as of March 31,</b>	<u>24,690</u>

- (b.2) As of March 31, 2014 and December 31, 2013, corresponds mainly to advanced rents made by Cineplex S.A. (a related entity) for the premises it operates in Real Plaza Pro Shopping Mall.
- (c) Mainly correspond to interest payable originated by the long-term bank loan subscribed with foreign entities, Note 14.
- (d) As of March 31, 2014 and December 31, 2013, correspond to the balance payable from the acquisition of land lots located in Carabayllo and Tarapoto. These accounts will be cancelled during the next quarter, in compliance with the purchase contracts, and do not accrue interests.
- (e) As of March 31, 2014 and December 31, 2013 it mainly correspond to cash deliveries from the tenants of the Real Plaza shopping malls Arequipa, Primavera, Pro, Santa Clara, Huancayo, Trujillo, Juliaca and Nuevo Chimbote.

These deposits do not accrue interests and will be refunded in the original currency at the end of the lease contract.

## Notes to the interim consolidated financial statements (continued)

### 14. Financial obligations

(a) The composition of this caption is presented below:

Type of obligation	Original currency	Interest rate %	Maturity
<b>Leasing</b>			
<b>Related parties</b>			
Banco Internacional del Perú S.A.A - Interbank, Real Plaza San Antonio del Cusco Shopping Mall (b)	S/.	8.90	2026
Banco Internacional del Perú S.A.A - Interbank, purchase of property of Real Plaza Santa Clara Shopping Mall (c)	S/.	8.25	2016
Banco Internacional del Perú S.A.A - Interbank, purchase of equipment	S/.	8.25	2015
Banco Internacional del Perú S.A.A - Interbank, purchase of transport units	US\$	6.45	2016
<b>Unrelated parties</b>			
Banco de Crédito del Perú S.A., purchase of property of Real Plaza Chiclayo Shopping Mall (d)	S/.	9.02	2019
Banco de Crédito del Perú S.A., enlargement of Section 2A of Real Plaza Chiclayo Shopping Mall (e)	US\$	7.62	2023
Banco de Crédito del Perú S.A., enlargement of Section 2B of Real Plaza Chiclayo Shopping Mall (f)	US\$	7.62	2023
IBM Perú S.A.C.	US\$	3.10	2016
<b>Promissory notes</b>			
<b>Unrelated parties</b>			
Banco de Crédito del Perú S.A., loan for the refurbishing of Real Plaza Primavera Shopping Mall (g)	US\$	6.60	2021
Scotiabank del Perú S.A.A.	S/.	7.45	2016
<b>Loans from foreign entities</b>			
Deutsche Bank AG (h)	US\$	8.75	2023
<b>Total</b>			

## Notes to the interim consolidated financial statements (continued)

- (b) Inmobiliaria Puerta del Sol S.A. (IPS) entered into a leaseback agreement with Banco Internacional del Perú S.A.A. - Interbank for the construction of the building where Real Plaza San Antonio shopping mall operates, which accrues an interest rate of 8.90 percent. This leaseback was agreed for a former amount of S/.108,300,000, with a term of 144 months and a grace period of 6 months, which will be computed from the date the asset is finished. As of March 31, 2014, the Bank disbursed S/.70,000,000 and as of the date of this report, the Bank has disbursed the remaining balance amounted to S/.38,300,000. In order to secure the payment of this funding, IPS subscribed a cash flow trust contract with La Fiduciaria S.A., through which the former binds to channel all the future cash flows from the credit rights derived, generated or caused, as consequence of each and every asset comprised in the Real Plaza San Antonio project to the escrow accounts so that these assets serve as security for the guaranteed obligations. This transaction generated a structuring commission of S/.1,354,000 which will start to accrue when the shopping mall begins operation.

For the three-month period ended March 31, 2014, this loan accrued interests for S/.1,340,000, which are presented in the "Financial expenses" caption of the consolidated statements of income and other comprehensive income, Note 23.

- (e) Corresponds to a leasing agreement with a purchase option subscribed with Banco Internacional del Perú S.A.A - Interbank for S/.7,401,000 and a term of 60 months, for the construction of Real Plaza Santa Clara shopping mall. According to said contract, the Bank is the owner of such property in its condition of holder of the right of use contracts constituted over the land where this shopping mall has been built.

In order to secure the payment of this funding, Interproperties Peru subscribed an escrow account contract with Interbank, through which it binds to channel all the future cash flows originated from the credit rights derived, generated or caused, as consequence of each and every asset comprised in the Real Plaza Santa Clara shopping mall, with the exception of power and water supply, air conditioning, maintenance expenses and remaining ordinary expenses, and promotional funds, to the current accounts that comprise the escrow account so that these assets serve as security for the guaranteed obligations, Note 5 (d).

As of March 31, 2014 and 2013, Interproperties Holding (SPE) has disbursed and recorded interest expenses for an approximate amount of S/.83,000 and S/.114,000, respectively, which are recorded in the "Financial expenses" caption of the consolidated statements of income and other comprehensive income, Note 23.

- (f) Corresponds to a leasing agreement with Banco de Crédito del Perú (hereinafter "BCP"), for an approximate amount of S/.54,748,000, over a term of 120 months, for the properties Interseguro sold through a landlord lease contract. This loan was used mainly for the acquisition of the property where Real Plaza Chiclayo shopping mall is located.

BCP put at disposal the buildings in leasing in favor of Interproperties Peru, due to it made the payment of an initial installment amounting to S/.18,748,000 on October 28, 2009, in accordance to the leasing contract.

## Notes to the interim consolidated financial statements (continued)

This obligation is associated solely with the Real Plaza Chiclayo shopping mall project and is provided with a guarantee and management trust through La Fiduciaria S.A., which securitized the future cash flows of the collection rights of the contracts of lease, sublease, usufruct and any other type of contract that the tenants of Real Plaza Chiclayo shopping mall must pay for: (a) rent (fixed and/or variable), use, penalties, indemnifications, key right and/or any type of consideration for the use or enjoyment of said premises; (b) commissions on events and sponsorships or the leases of spaces for advertisement; and, (c) in a general way, any type of collection related to the activity of Real Plaza Chiclayo shopping mall, which constitute the assets in trust that have been transferred to the trust managed by La Fiduciaria S.A. In order to secure this funding, a new guarantee called "Reserve account" has been constituted, which as of March 31, 2014 and December 31, 2013, amounted to approximately S/.1,605,000, Note 5(d).

The main obligations assumed by Interproperties Perú according to the contract and related only to the Real Plaza Chiclayo shopping mall's net assets are the following:

- The net assets related to Real Plaza Chiclayo shopping mall that the Equity Trust as guarantee during the term of the contract must have a value of at least S/.32,000,000.
- The Equity Trust will refrain from maintaining short-term obligations greater than US\$1,000,000.
- The Equity Trust will refrain from obtaining, during the term of the contract, new long-term loans related to Class 6, without prior authorization by BCP.
- The Equity Trust holds during the term of the contract, the following financial ratios which must be calculated based upon the financial performance of the related assets:
  1. Cash flow coverage ratio for debt service higher than 1.25.
  2. Cash flow ratio not lower than 1.5.
  3. Maintain in-force contracted fixed income which in aggregate represents an annual income of not less than US\$2,200,000.

For the three-month periods ended as March 31, 2014 and 2013, this loan accrued interests amounted to S/.528,000 and S/.596,000, respectively, Note 23.

In the opinion of InRetail Real Estate's Management, these obligations have been complied satisfactorily and are within the agreed limits.



## Notes to the interim consolidated financial statements (continued)

- (g) During 2012, Interproperties Holding II (SPE), decided to enlarge Real Plaza Chiclayo shopping mall (hereinafter "Enlargement of Section 2A"), for which on December 26, 2012, signed an addendum to the Framework Contract with BCP, which committed to finance the project up to US\$12,500,000. As of March 31, 2014 and December 31, 2013, it is already operating; therefore, Interproperties Holding II has recorded the corresponding liabilities at such dates.

For the three-month period ended as March 31, 2014, this loan accrued interests amounted to S/.639,000, Note 23.

- (j) During 2013, Interproperties Holding II (SPE) continued the enlargement of Real Plaza Chiclayo shopping mall (hereinafter "Enlargement of Section 2B"), for which it signed an addendum to the leasing agreement with BCP, which committed to finance the project for up to US\$7,500,000. As of March 31, 2014 and December 31, 2013, the expansion of Section 2B is under construction; however, Interproperties Holding II (SPE) has recorded the corresponding liabilities at such dates.

For the three-month period ended as March 31, 2014, this loan accrued interests amounted to S/.393,000, Note 23.

- (k) Corresponds to a medium-term loan contract with BCP, for an amount of US\$12,000,000, with a term of 116 months, disbursed in October 2011. This loan was used mainly to complete the investment required to refurbish Real Plaza Primavera shopping mall.

In order to underwrite this financing, the following guarantees have been constituted: (i) a cash flow trust, as detailed in Note 5(d), as of March 31, 2014 and December 31, 2013, the Company and its Subsidiaries maintains S/.2,008,000 and S/.1,322,000, respectively, in fulfillment of this guarantee, (ii) an asset trust and (iii) a fixed income payment bond.

For the cash flow trust, the Administrative Entity subscribed with charge to Interproperties Perú, a guarantee trust with La Fiduciaria S.A., which securitized the future cash flows of the collection rights of: (a) the contracts of lease, sublease, usufruct and any other type of contract that the tenants of Real Plaza Primavera shopping mall must pay for: (i) rent (fixed and/or variable), use, penalties, indemnifications, key right and/or any type of consideration for the use or enjoyment of said premises; (ii) commissions on events and sponsorships or the leases of spaces for advertisement; and, (iii) in a general way, any type of collection related to the activity of Real Plaza Primavera shopping mall related to the premises of its central and southern zones; and (b) contract of works, which constitute the trusted assets that have been ceded to the Equity trust fund managed by La Fiduciaria S.A.

As described in the paragraph above, the main obligations assumed by Interproperties Perú and related during of the Real Plaza Primavera shopping mall's net assets according to what is established in the guarantee trust contract, are the following:

- Interproperties Perú shall maintain starting the closing date and during the term of the contract, a debt ratio not higher than 1.00.

## Notes to the interim consolidated financial statements (continued)

- Interproperties Perú must maintain during the term of the contract the following financial ratios:
  1. Cash flow coverage ratio for debt service higher than 1.20.
  2. Cash flow coverage ratio not lower than 1.50.
  3. To maintain in force agreed fixed income corresponding to all premises of the central and southern zones which together represent annual income of not less than US\$180,300 per month during the following 12 months.
  4. Debt coverage ratio not higher than 0.50.

In Management's opinion, these obligations have been complied satisfactorily and are within the established limits.

For the three-month periods ended March 31, 2014 and 2013 Equity Trust fund made interest disbursements of S/.443,000 and S/.450,000, respectively, and accrued interest expenses for an approximate amount of S/.445,000 and S/.447,000, respectively, which are presented in the "Financial expenses" caption of the consolidated statements of income and other comprehensive income, Note 23.

- (I) In November 2011, Interproperties Holding (SPE) issued through Interproperties Holding Trust, a trust in the Cayman Islands with the purpose of performing this issuance, an offering of US\$185,000,000 in Senior guaranteed notes with a maturity in November 2023, at an annual nominal interest rate of 8.75 percent. This issuance was allocated to Interproperties Holding through a loan agreement with Deutsche Bank AG, London Branch. The funds from this financing were used in the purchase of properties, investments in new real estate projects and debt payment, including the professional fees and expenses related to the issuance. In order to back this financing, the following guarantees were constituted: (i) assets trust and (ii) mortgage guarantee.

This loan was recorded in the consolidated financial statements at amortized cost at an annual effective interest rate of 9.426 percent after considering the respective up-front charges that amounted to S/.18,227,000 (equivalent to US\$6,784,000). The recorded amortized cost of these structuring costs as of March 31, 2014 and 2013 amounted to S/.337,000 and S/.434,000, respectively, Note 23.

## Notes to the interim consolidated financial statements (continued)

Interproperties Holding must comply, until their maturity and cancellation, with certain obligations and restrictive clauses that are referred to the compliance with financial ratios, the use and enforcement of funds, conditions on dividends distribution, reorganizations and other administrative matters. Amongst the main obligations include:

- Comply with certain financial ratios, such as:
  1. Financial debt/equity ratio, not higher than 2 to 1 for each quarter.
  2. The Equity trust fund and Interproperties Perú or any covered asset, shall not be able to enter into new debt unless that at the date of acquisition and afterwards, the leverage ratio is not higher than 10 to 1 during the year ending December 31, 2012, not higher than 8 to 1 for the period ending December 31, 2013, not higher than 5.5 to 1 during the year ending December 31, 2014 and thereafter.
- The Equity Trust Fund and Interproperties Perú will not be able to enter into debt additional to the existing one by providing the real estate investments as guarantee.
- The financial obligation to BCP cannot exceed US\$12,000,000.

In the opinion of InRetail Real Estate's Management, these clauses do not limit its operations and are being fulfilled with the usual practices at international level for these types of transactions.

For the three-month periods ended March 31, 2014 and 2013 there were accrued interest expenses for approximately S/.10,537,000 and S/.10,369,000, respectively, which are presented in the caption "Financial expenses" of the consolidated statements of income and other comprehensive income, Note 23.

- (m) Future minimum payments for the leasing described in subsection (a) of this Note, net of future financial charges, are as follows:

	Related parties		Total	
	Minimum payments S/.(000)	Present value of the leasing installments S/.(000)	Minimum payments S/.(000)	Present value of the leasing installments S/.(000)
Up to 1 year	10,510	5,278	21,901	11,131
Between 1 and 5 years	93,409	63,898	189,820	137,310
Total minimum payments	103,919	69,176	211,721	148,441
Minus- amounts representing finance charges	(34,743)	-	(63,280)	-
<b>Present value of future minimum payments</b>	<b>69,176</b>	<b>69,176</b>	<b>148,441</b>	<b>148,441</b>

Notes to the interim consolidated financial statements (continued)

(k) Financial obligations are payable as follows:

	As of March 31, 2014 S/.(000)	As of December 31, 2013 S/.(000)
2014	14,178	14,977
2015	42,851	42,851
2016 onwards	590,465	566,038
	<u>647,494</u>	<u>623,866</u>

## Notes to the interim consolidated financial statements (continued)

### 15. Income Tax

(a) The Deferred Income Tax assets and liabilities presented in the consolidated statements as March 31, 2014 and December 31, 2013:

	As of March 31, 2014		As of December 31, 2013	
	Deferred asset, net S/.(000)	Deferred liability, net S/.(000)	Deferred asset, net S/.(000)	Deferred liability, net S/.(000)
Patrimonio en Fideicomiso - D.S.N°093-2002 - EF - Interproperties Holding	-	69,954	-	69,954
Patrimonio en Fideicomiso - D.S. N°093-2002-EF- Interproperties Holding II	-	21,811	-	21,811
Real Plaza S.R.L.	177	-	177	-
InRetail Properties Management S.R.L.	146	-	146	-
<b>Total</b>	<b>323</b>	<b>91,765</b>	<b>323</b>	<b>91,765</b>

(b) Following is the detail of the deferred Income Tax asset and liability as of March 31, 2014 and 2013:

	Balance as of	Effect in	Balance as of	Balance as of
	January 1, 2013 S/.(000)	consolidated statements of comprehensive income S/.(000)	March 31, 2013 S/.(000)	January 31, 2013 S/.(000)
<b>Deferred asset</b>				
Provision for unpaid vacations	220	-	220	-
Provision for doubtful accounts	41	-	41	-
Depreciation	56	-	56	-
Others	14	-	14	-
	<u>331</u>	<u>-</u>	<u>331</u>	<u>-</u>
<b>Deferred liability, net</b>				
Fair value adjustment for investment properties	48,236	339	48,575	60,000
Tax depreciation of investment properties	12,290	2,755	15,045	24,000
Income Tax attributed to trust participants (c)	10,101	(1,239)	8,862	-
<b>Deferred liabilities, net</b>	<u>70,627</u>	<u>1,855</u>	<u>72,482</u>	<u>84,000</u>

## Notes to the interim consolidated financial statements (continued)

- (c) The Income Tax expense presented in the consolidated statements of income and other comprehensive income for the three-month periods ended March 31, 2014 and March 31, 2013 is comprised as follows:

	2014 S/.(000)	2013 S/.(000)
Current	(362)	(475)
Deferred	<u>(6,465)</u>	<u>(1,855)</u>
<b>Total</b>	<u>(6,827)</u>	<u>(2,330)</u>

### 16. Commitments

As of March 31, 2014 and December 31, 2013, correspond to guarantee letters in favor of third parties for approximately S/.11,600,000 and S/.11,595,000, respectively, which guarantee the compliance of obligations from contractual agreements related to the real estate projects of Interproperties Holding and Interproperties Holding II.

### 17. Equity

- (a) Capital stock -

As of March 31, 2014 and December 31, 2013, the capital stock of InRetail Real Estate Corp. amounts to S/.1,475,706,000 approximately, represented by 568,201,039 shares, issued at a nominal value of US\$ 1.00 each.

In February 2013, the Board of Directors approved the issuance of 62,500,000 shares at a nominal value of US \$1 each, with a total amount of S/.160,000,000.

- (b) Earnings per share -

Earnings per share are calculated by dividing the income of the period attributable to the common shareholders of InRetail Real Estate Corp. by the weighted average number of shares outstanding during the year. Because outstanding instruments with dilutive effect are not held, basic and diluted earnings per share are the same.

## Notes to the interim consolidated financial statements (continued)

The calculation of basic and diluted earnings per share is presented as follows:

	Common shares		
	Shares outstanding (000)	Effective days	Weighted average of shares (000)
<b>For the three-month period ended March 31, 2013</b>			
As of January 1, 2013	505,701	90	505,701
Capital increase	<u>62,500</u>	58	<u>9,932</u>
<b>As of March 31, 2013</b>	<u>568,201</u>		<u>515,633</u>
<b>For the three-month period ended March 31, 2014</b>			
As of January 1, 2014	<u>568,201</u>	90	<u>568,201</u>
<b>As of March 31, 2014</b>	<u>568,201</u>		<u>568,201</u>
<b>As of March 31, 2014</b>			
	Net income (numerator) S/.(000)	Shares (denominator) (000)	Earnings per share S/.(000)
Basic and diluted earnings per share	<u>15,118</u>	<u>568,201</u>	<u>0.0266</u>
<b>As of March 31, 2013</b>			
	Net income (numerator) S/.(000)	Shares (denominator) (000)	Earnings per share S/.(000)
Basic and diluted earnings per share	<u>3,652</u>	<u>515,633</u>	<u>0.0071</u>

## Notes to the interim consolidated financial statements (continued)

### 18. Income from real estate service

- (a) The composition of the balance for the three-month periods ended March 31, 2014 and 2013 is presented below:

	2014 S/.(000)	2013 S/.(000)
<b>Rental income</b>		
Rental income (b)	39,423	27,941
Rent of space for publicity	1,191	914
Key money	791	509
	<u>41,405</u>	<u>29,364</u>
<b>Income from management services</b>		
Common expenses (c)	10,252	6,897
Electricity and water (d)	8,802	5,351
Promotion and advertisement fund (e)	2,390	1,708
Advisory and supervision	1,607	1,403
Management services	426	256
Negotiations of land and buildings	37	1,455
Other	1,118	778
	<u>24,632</u>	<u>17,848</u>
	<u>66,037</u>	<u>47,212</u>

- (d) As of March 31, 2014 and 2013, corresponds to rental income from the economic exploitation of the "Real Plaza" Shopping Malls.

For the three-month periods ended March 31, 2014 and 2013, corresponds to rental income from the economic exploitation of the "Real Plaza" shopping malls.

The composition of the rental income is presented below:

	2014 S/.(000)	2013 S/.(000)
Fixed rental income	35,945	24,441
Variable rental income	3,478	3,500
	<u>39,423</u>	<u>27,941</u>

- (e) Corresponds to income from common expenses including expenses of maintenance, safety, management and supervision of shopping malls, which are billed to each tenant according to the terms established in the lease contract.



## Notes to the interim consolidated financial statements (continued)

- (d) Corresponds to income from electricity and water that are assumed by the Company and are then billed to every tenant of the shopping malls.
- (e) Corresponds to income from advertising and promotional activities of Shopping malls, which are billed to every tenant of the shopping malls according to the terms established in the lease contract.

### 19. Operating costs

- (a) The composition of this caption for the three-month periods ended March 31, 2014 and 2013 is presented below:

	2014 S/.(000)	2013 S/.(000)
<b>Cost of rental income</b>		
Property Tax and duties	2,072	1,113
Landlord leases (b)	1,777	1,123
Property insurance costs	738	451
	<u>4,587</u>	<u>2,687</u>
<b>Cost related to income from management services</b>		
Electricity and water	8,457	5,204
Personnel expenses, Note 21(b)	3,737	3,158
Safety services	1,601	1,312
Cleaning	1,590	1,096
Advertising and marketing	1,556	1,329
Maintenance and administration of parking lot	570	343
Leases, professional fees and communications	269	159
Other costs	1,321	959
	<u>19,101</u>	<u>13,560</u>

- (d) Correspond to the leases of land over which Interproperties Holding and Interproperties Holding II have built or have a shopping mall under construction.

### 20. Selling and administrative expenses

- (a) The composition of this caption for the three-month periods ended March 31, 2014 and 2013 is presented below:

	2014 S/.(000)	2013 S/.(000)
Administrative expenses	5,046	4,416
Selling expenses	1,514	1,394
	<u>6,560</u>	<u>5,810</u>

## Notes to the interim consolidated financial statements (continued)

- (b) The components of operating expenses included in the selling and administrative expenses captions are presented below:

	<u>For the three-month period ended March 31, 2014</u>		
	Administrative expenses S/.(000)	Sales expenses S/.(000)	Total S/.(000)
Personnel expenses	3,177	1,092	4,269
Professional fees	460	-	460
Depreciation	391	-	391
Amortization	22	-	22
Other expenses	996	422	1,418
	<u>5,046</u>	<u>1,514</u>	<u>6,560</u>

	<u>For the three-month period ended March 31, 2013</u>		
	Administrative expenses S/.(000)	Sales expenses S/.(000)	Total S/.(000)
Personnel expenses	2,627	898	3,525
Professional fees	462	-	462
Depreciation	170	-	170
Amortization	18	-	18
Other expenses	1,139	496	1,635
	<u>4,416</u>	<u>1,394</u>	<u>5,810</u>

### 21. Personnel expenses

- (a) The composition of this caption for the three-month periods ended March 31, 2014 and 2013 is presented below:

	2014 S/.(000)	2013 S/.(000)
Salaries	5,401	4,268
Regular bonuses	943	1,078
Workers' profit sharing	524	426
Vacations	447	391
Social security	301	483
Other personnel expenses	390	37
	<u>8,006</u>	<u>6,683</u>

## Notes to the interim consolidated financial statements (continued)

- (b) The distribution of personnel expenses for the three-month periods ended March 31, 2014 and 2013 is presented below:

	2014 S/.(000)	2013 S/.(000)
Operating costs, Note 19	3,737	3,158
Administrative expenses, Note 20	3,177	2,627
Selling expenses, Note 20	1,092	898
	<u>8,006</u>	<u>6,683</u>

### 22. Other income (expenses), net

During 2013 it mainly corresponds to the collection of the execution of the guarantee letter received by Masterwall for nonperformance of work in Huánuco realized in March, 2013 by an amount of S/.1,534,000.

### 23. Financial income and expenses

The composition of this caption for the three-month periods ended March 31, 2014 and 2013 is presented below:

	2014 S/.(000)	2013 S/.(000)
<b>Income</b>		
Interests on deposits	386	1,126
Interests from granted loan	212	3,242
Others	466	981
	<u>1,064</u>	<u>5,349</u>
<b>Expenses</b>		
Interest expenses		
Interest long-term bank loan, Note 14(h)	(10,537)	(10,369)
Loss on sale of financial instruments	(1,496)	-
Leasing - Real Plaza San Antonio del Cusco, Note 14(b)	(1,340)	-
Leasing - enlargement of Section 2A of Real Plaza Chiclayo, Note 14(e)	(639)	-
Leasing - purchase of property of Real Plaza Chiclayo, Note 14(d)	(528)	(596)
Promissory notes - Real Plaza Primavera, Note 14(g)	(445)	(447)
Leasing - enlargement of Section 2B of Real Plaza Chiclayo, Note 14(f)	(393)	-
Debt structuring expenses, Note 14(h)	(337)	(434)
Leasing - Real Plaza Santa Clara, Note 14(c)	(83)	(114)
Interest on debt issuance (i)	-	(3,013)
Other financial expenses	(852)	(1,821)
	<u>(16,650)</u>	<u>(16,794)</u>

## Notes to the interim consolidated financial statements (continued)

- (n) Corresponds to interest accrued and paid for corporate bond issued by InRetail Real Estate through a private offer. These bonds were issued in May 2012 in order to purchase properties and were entirely paid in advance in June 2013.

### 24. Tax situation

- (a) InRetail Real Estate Corp. has been constituted in Panama; therefore, it is not subject to any income tax.

Entities and individuals not domiciled in Peru must pay an additional tax of 4.1 percent over the received dividends. The entity that distributes the dividends is responsible of performing the withholding of such tax.

- (b) Real Plaza and InRetail Properties Management are domiciled in Peru and are subject to the Peruvian tax regime and calculate their Income Tax on the basis of their separate financial statements. As of March 31, 2014 and December 2013, the statutory Income Tax rate was 30 percent on the taxable income.
- (c) According to the provisions of the Law No. 29663, subsequently amended by the Law No. 29757, capital gains derived from the indirect disposal of Peruvian shares are deemed to be sourced in Peru.

To this extent, an indirect disposal of Peruvian shares occurs when shares issued by non-Peruvian entities are transferred, provided that such entity holds, directly or indirectly, shares (or participation interests) of one or more Peruvian subsidiaries ("indirect transfer"), and:

- At least 50% of the fair market value of the non-resident corporation derives from the Peruvian shares held, at any time within the 12 months preceding the disposition.
  - At least 10% of the shares issued by the non-resident corporation are transferred.
- (d) Transactions entered into between related parties and/or with tax heaven residents fall into the scope of the Peruvian Transfer Pricing rules. Such rules are based on the application of the arm's length principle, as understood by the OECD. It is important to mention that Transfer Pricing rules are only applicable for Income Tax purposes, and adjustments are allowed under certain conditions only. Based on the analysis of operations of InRetail, its Management and legal advisors believe that the implementation of these standards does not generate any significant contingencies for InRetail Real Estate as of March 31, 2014 and December 31, 2013..

## Notes to the interim consolidated financial statements (continued)

- (e) The Peruvian Tax Authority is legally entitled to perform tax audit procedures on local taxpayers for up to four years subsequent to the year of the presentation of the tax return. The Tax Authority is entitled to challenge the Income Tax calculation performed by such tax payers. In the case of the Subsidiaries of InRetail Real Estate Corp, the years subject to tax audit procedures by the Tax Authority are detailed below:

	Income Tax	Value added Tax
Real Plaza S.R.L.	From 2009 to 2013	From 2009 to 2013
InRetail Properties Management S.R.L.	From 2010 to 2013	From 2010 to 2013

In accordance with Peruvian law, Interproperties Holding and Interproperties Holding II are not considered to be taxpayers due to their condition as a trust but they attribute their obtained income, net losses and tax credits on their foreign source income to the holders of their certificates of participation.

Due to the possible interpretations that the Tax Auditory may give to the legal regulations currently in force, it is not possible to determine, to date, whether the examinations performed will or will not result in liabilities for InRetail Real Estate and its Subsidiaries. Thus, any higher tax or charge that could result from eventual tax examinations would be applied to the results of the period in which such tax or surcharge is determined.

In the opinion of Management of InRetail Real Estate and of its legal advisors, any subsequent additional settlement of taxes would not be significant for the consolidated financial statements as of March 31, 2014 and December 2013.

### 25. Transactions with related companies

- (a) The main transactions with related parties recorded in the consolidated income statements for the three-month periods ended March 31, 2014 and 2013, as the following:

	2014 S/.(000)	2013 S/.(000)
<b>Income</b>		
Supermercados Peruanos S.A.	6,918	6,288
Tiendas Peruanas S.A.	5,728	3,716
Homecenters Peruanos S.A.	4,881	3,875
Cineplex S.A.	3,070	1,996
Banco Internacional del Perú S.A.A. - Interbank	2,099	1,050
Alert del Perú S.A.	405	233
Bembos S.A.C.	384	437
EP de Franquicias S.A.C.	369	134
Eckerd Perú S.A.	349	662
Other related companies	573	290
	24,776	18,681

## Notes to the interim consolidated financial statements (continued)

	2014 S/.(000)	2013 S/.(000)
<b>Administrative services expenses and other services</b>		
Banco Internacional del Perú S.A.A.- Interbank	500	916
Interseguro Compañía de Seguros S.A.	506	255
Supermercados Peruanos S.A.	139	451
Other related companies	266	112
	<u>1,411</u>	<u>1,734</u>

- (b) As result of transactions with related parties, InRetail Real Estate presents the following balances in the consolidated statements of financial position as of March 31, 2014 and December 31, 2013:

	2014 S/.(000)	2013 S/.(000)
<b>Trade and other receivable</b>		
Intercorp Perú Ltd. (c)	24,808	24,394
Supermercados Peruanos S.A.	19,283	14,464
Tiendas Peruanas S.A (d)	12,764	1,638
Home Centers (e)	12,429	27,779
Inmobiliaria Puerta del Sol S.A.	2,265	2,047
Banco Internacional del Perú S.A.A.-Interbank	2,087	409
Cineplex S.A.	1,054	332
Bembos	430	110
Eckerd Perú S.A.	77	49
Interseguro Compañía de Seguros S.A.	37	1,344
Urbi Propiedades S.A.	17	-
Other related companies	2,150	2,147
	<u>77,401</u>	<u>74,713</u>
<b>Trade and other payable</b>		
Interseguro Compañía de Seguros S.A.	563	510
Supermercados Peruanos S.A.	182	235
Tiendas Peruanas S.A	-	137
Cineplex S.A.	-	27
Other related companies	1,381	337
	<u>2,126</u>	<u>1,246</u>
<b>Financial obligations</b>		
Leasing		
Banco Internacional del Perú S.A.A.-Interbank, note 14	69,176	60,091

## Notes to the interim consolidated financial statements (continued)

- (e) It mainly corresponds to a loan provided in December 2013 which nominal value amounts to S/.24,394,000. This loan is denominated in Nuevos Soles and accrues annual interest rate equivalent to 7 percent. For the three-month period ended March 31, 2014, the interests accrued amounted to S/.413,000 and are presented in the caption "Finance income".
- (f) As of March 31, 2014, it mainly comprises a balance receivable of S/.4,968,000 (US\$1,500,000) corresponding to key money related to rented premises in Real Plaza Chiclayo, S/.5,157,000 corresponding to the rents of the last three months and S/.2,639,000 corresponding to reimbursement of costs related to income from management services such as electricity and water.
- (g) As of March 31, 2014 and December 31, 2013, includes receivables of the transfer of real estate located at Brasil Avenue and the city of Cusco, for an amount of S/.17,913,000 and S/.24,875,000, respectively from which 50 percent correspond to Supermercados Peruanos S.A. and Homecenters Peruanos S.A., each; to the date of this report, an amount of S/.6,962 has been cancelled.
- (h) As of March 31, 2014 and December 31, 2013, InRetail Real Estate holds balances with its related entity Banco Internacional del Perú S.A.A. - Interbank in the cash and cash equivalent caption for an amount of S/.37,054,000 and S/.39,877,000, respectively.
- (i) Transactions with related companies have been performed under normal market conditions. The taxes that these transactions generated, as well as the calculation bases for their determination, are the usual ones in the industry and they are settled in accordance with the current tax regulations.

### 26. Financial risks management

The activities of InRetail Real Estate expose it to a variety of financial risks, which include the effects of the changes in the exchange rates, interest rate, credit and liquidity. The program of risk management of InRetail Real Estate tries to minimize the potential adverse effects in its financial performance.

InRetail Real Estate's Board of Directors is responsible for the overall risk management approach and for the approval of the policies and strategies currently in place. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk.

The most important aspects for the management of these risks are:

- (a) Market risk -  
It is the risk that the fair values of the future cash flows of a financial instrument fluctuate due to changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and investments in shares risk. In the case of InRetail Real Estate, the financial instruments affected by market risks include loans, which are exposed to currency risk and interest rate risk.

## Notes to the interim consolidated financial statements (continued)

The sensitivity analysis shown in the following section relates to the position as of March 31, 2014 and December 31, 2013. The sensitivity analysis has been prepared considering that the total amount of the net debt and the proportion of financial instruments in foreign currency is constant.

(i) Interest rate risk -

It is the risk that the fair values or future cash flows of a financial instrument fluctuate due to changes in market interest rates. InRetail Real Estate manages its interest rate risk through the obtaining of debt with fixed interest rate. As of March 31, 2014 and December 2013, InRetail Real Estate does not maintain debts at variable rate, which would be exposed to the risk of change in the interest rate.

The information on financial instruments with fixed interest rates is presented below:

	Fixed interest rate S/.(000)	No sensible to interest rate S/.(000)	Total S/.(000)	Average interest rate as of March 31, 2014 %
<b>Financial assets</b>				
Cash and cash equivalent	22,100	18,365	40,465	4.25
Trade receivable	-	19,055	19,055	-
Accounts receivable from related parties	24,808	52,593	77,401	7.00
Other accounts receivable	802	8,654	9,456	8.75
<b>Financial liabilities</b>				
Trade payable	-	44,121	44,121	-
Other liabilities	-	45,315	45,315	-
Accounts payable to related parties	-	2,126	2,126	-
Financial obligations	647,494	-	647,494	8.65
	Fixed interest rate S/.(000)	No sensible to interest rate S/.(000)	Total S/.(000)	Average interest rate as of December 31, 2013 %
<b>Financial assets</b>				
Cash and cash equivalent	71,094	9,725	80,819	4.13
Trade receivable	-	19,111	19,111	-
Accounts receivable from related parties	64,294	10,419	74,713	5.85
Other accounts receivable	253	6,222	6,475	8.75
<b>Financial liabilities</b>				
Trade payable	-	51,666	51,666	-
Accounts payable to related parties	-	1,246	1,246	-
Other payable	-	29,613	29,613	-
Financial obligations	623,866	-	623,866	8.64



## Notes to the interim consolidated financial statements (continued)

As indicated in Note 14, InRetail Real Estate only has debt instruments with fixed interest rates, so Management considers that the fluctuations in the interest rates, which are at market rates, will not affect significantly the operations of InRetail Real Estate in the next 12 months.

(ii) Exchange rate risk -

It is the risk that the fair values or future cash flows of a financial instrument fluctuate due to changes in exchange rates. The exposure of InRetail Real Estate to exchange rate risk is related mainly to the operating activities of InRetail Real Estate related to rental income in foreign currency and financial obligations.

As of March 31, 2014 and December 31, 2013, assets and liabilities by currency were the following (expressed in US\$ dollars):

	As of March 31, 2014 US\$(000)	As of December 31, 2013 US\$(000)
<b>Assets</b>		
Cash and cash equivalent	864	1,374
Trade receivables	203	920
Other receivables	454	4,607
Accounts receivable from related parties	2,839	198
	<u>4,360</u>	<u>7,099</u>
<b>Liabilities</b>		
Trade payable	163	205
Accounts payable from related parties	-	168
Other liabilities	9,711	622
Financial obligations	208,171	209,270
	<u>218,045</u>	<u>210,265</u>
<b>Net liability position</b>	<u>(213,685)</u>	<u>(203,166)</u>

InRetail Real Estate is exposed to the effects of fluctuations in the exchange rates of the prevailing foreign currency in its financial position and cash flows. Management sets limits on the exposure levels by currency for the entirety of the daily operations which are monitored daily.

Transactions in foreign currency are performed at free market exchange rates. As of March 31, 2014, the market weighted average exchange rate for transactions in US dollars was S/.2.807 per US\$1.00 bid and S/.2.809 per US\$1.00 ask (S/.2.794 per US\$1.00 bid and S/.2.796 for US\$1.00 ask as of December 31, 2013).

For the three-month periods ended March 31, 2014, InRetail Real Estate has incurred into a net loss for exchange difference of approximately S/.2,497,000 (S/.9,915,000 as of March 31, 2013), which is presented in the caption "Exchange difference, net" the consolidated statements of income and other comprehensive income.

## Notes to the interim consolidated financial statements (continued)

InRetail Real Estate manages the exchange rate risk by monitoring and controlling the values of the exchange position that is not significant in Nuevos Soles (functional currency) exposed to the movements in the exchange rates. InRetail Real Estate measures its yield in Nuevos Soles so that if the exchange position in foreign currency is positive, any depreciation of the US dollar would be affected in a negative manner by the consolidated statements of financial position of InRetail Real Estate. The current position in foreign currency comprises the assets and liabilities that are indicated at the exchange rate. Any devaluation/revaluation of the foreign currency would affect the statements of income and other comprehensive income.

The following table presents the sensitivity analysis of US dollars, the currency at which InRetail Real Estate has a significant exposure as of March 31, 2014 and December 31, 2013, in its monetary assets and liabilities and its estimated cash flows. The analysis determines the effect of a reasonably possible change of the US dollar exchange rate, considering other variables to be constant in the consolidated statement of income and other comprehensive income. Any negative amount shows a potential net decrease in the consolidated statement of income and other comprehensive income, while a positive amount reflects a net potential increase.

Sensitivity analysis	Change in exchange rates %	Income (expense)	
		As of March 31, 2014 S/.(000)	As of December 31, 2013 S/.(000)
Devaluation -			
US dollars	5	30,012	28,403
US dollars	10	60,025	56,807
Revaluation -			
US dollars	5	(30,012)	(28,403)
US dollars	10	(60,025)	(56,807)

(b) Credit risk -

It is the risk that a counterparty could not comply with its obligations regarding a financial instrument or sales contract, thus generating a financial loss. InRetail Real Estate is exposed to credit risk for its operating activities (mainly accounts receivable and loans) and for its financing activities, including bank deposits.

Credit risk related to accounts receivable -

The credit risk of clients is managed by Management, and it is subject to policies, procedures and controls properly established. The pending balances on accounts receivable are reviewed periodically to assure their recovery. As of March 31, 2014 and December 31, 2013, InRetail Real Estate has 438 and 521 clients, respectively. The maximum exposure to credit risk at the date of the consolidated statement of financial position is the book value of each class of financial asset, Note 6.

## Notes to the interim consolidated financial statements (continued)

Credit risk related to financial instruments and bank deposits -

The credit risk of bank balances is managed by Management in accordance with the policies of InRetail Real Estate. The investments of cash surpluses are performed through a first-level related financial institution. The maximum exposure to credit risk as of March 31, 2014 and December 31, 2013, is the book value of the balances of cash and cash equivalent shown in Note 5.

(c) Liquidity risk -

Liquidity is controlled through the matching of the maturities of assets and liabilities, the obtaining of credit lines and/or maintaining of liquidity surpluses, which allows InRetail Real Estate to develop its activities in a normal way.

Managing liquidity risk implies maintaining sufficient cash and financing availability, through a suitable amount of committed credit sources and the ability to settle transactions, mainly of indebtedness. In this matter, Management directs its efforts to maintain financing sources through the availability of credit lines.

## Notes to the interim consolidated financial statements (continued)

The following table shows the maturity of the obligations contracted by InRetail Real Estate at the date of the consolidated financial statements and the amounts to disburse at their maturities, based on non-discounted payments that will be made:

	Less than 1 month S/.(000)	More than 1 month and less than 3 months S/.(000)	More than 3 months and less than 1 year S/.(000)	More year a than 5 S/.(000)
<b>As of March 31, 2014</b>				
Financial obligations				
Capital amortization	659	1,353	12,166	210,000
Cash flow for interest payment	730	1,112	54,902	189,000
Trade payable	17,461	6,534	20,126	
Accounts payable to related parties	112	94	1,920	
Other liabilities	15,132	23,366	6,817	
	<u>34,094</u>	<u>32,459</u>	<u>95,931</u>	<u>399,000</u>
<b>As of December 31, 2013</b>				
Financial obligations				
Capital amortization	1,323	1,732	11,922	152,000
Cash flow for interest payment	730	1,112	54,902	189,000
Trade payable	21,581	11,013	19,072	
Accounts payable to related parties	-	1,217	29	
Other liabilities	758	4,878	23,977	
	<u>24,392</u>	<u>19,952</u>	<u>109,902</u>	<u>341,000</u>

## Notes to the interim consolidated financial statements (continued)

(d) Real estate risk -

It is the possibility of losses due to the changes or the volatility of the market prices of market of properties.

The following properties are deemed as assets subject to real estate risk:

- Properties on which real rights exist, both those used for investing purposes and those for own use.
- Securities representative of shares of real estate companies, which are those that generate periodic income from this activity or are dedicated to real estate investing.
- Certificates of participation in collective schemes of real estate investments, both private and public.
- Participations in real estate trusts.

InRetail Real Estate has identified the following risks associated to the real estate investment portfolio:

- The cost of the development projects can increase if there are delays in the planning process. InRetail Real Estate receives services from experts for the requirements of specific planning at the project's location in order to reduce the risks that could arise in the planning process.
- An important tenant can become insolvent, thus generating a significant loss in the rental income and a decrease in the value of the associated property. To reduce this risk, InRetail Real Estate reviews the financial situation of all the possible tenants and decides on the suitable level of security needed, such as lease deposits or guarantees.
- The exposure of the fair values of the real estate property portfolio, as well as the cash flows generated by occupants and/or tenants.

## Notes to the interim consolidated financial statements (continued)

### 27. Fair value of financial instruments -

Fair value is defined as the amount at which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction, assuming an on-going enterprise.

When a financial instrument is traded on an active and liquid market, its quoted market price in an actual transaction provides the best evidence of its fair value. When a quoted market price is not available, or may not be indicative of the fair value of the financial instrument, to determine such fair value it is possible to use the current fair value of another financial instrument that is substantially similar, discounted cash flow analysis or other techniques applicable thereto, all of which are significantly affected by the assumptions applied. Although Management uses its best judgment in estimating the fair value of these financial instruments, there are inherent weaknesses in any estimation technique. As a result, the fair value may not be indicative of the net realizable value or settlement value of the financial instruments.

The following methods and assumptions were used to estimate the fair values of the financial instruments:

- (a) Financial Instruments whose fair value is similar to their book value -  
For financial assets and liabilities that are liquid or have short-term maturities (less than three months), such as cash and cash equivalents, trade receivables, accounts receivable to related parties and other receivables, trade accounts payable and other current liabilities, it is deemed that their book values are similar to their fair values.
- (b) Financial instruments at fixed rate -  
The fair value of the financial assets and liabilities at fixed rate and at amortized cost is determined by comparing the market interest rate at the moment of their initial recognition to the current market rates related to similar financial instruments. The estimated fair value of financial obligations that accrue interests is determined through discounted cash flows by using the currently available rates for debts with similar conditions, credit risk and maturities.

## Notes to the interim consolidated financial statements (continued)

On the basis of the criteria mentioned before, following is a comparison between the book value and fair value of the financial instruments held by InRetail Real Estate in its consolidated financial statements:

	As of March 31, 2014		As of December 31, 2013	
	Book value S/.(000)	Fair value S/.(000)	Book value S/.(000)	Fair value S/.(000)
<b>Financial assets</b>				
Cash and cash equivalents	40,465	40,465	80,819	80,819
Trade receivable	19,055	19,055	19,111	19,111
Accounts receivable from related parties	77,401	77,401	74,713	74,713
Other receivable, net	9,456	9,456	6,475	6,475
<b>Financial liabilities</b>				
Trade payable	44,121	44,121	51,666	51,666
Accounts payable to related parties	2,126	2,126	1,246	1,246
Other liabilities	45,315	45,315	29,613	29,613
Financial obligations with local entities	175,646	175,646	168,834	168,834
Financial obligation with foreign entities	471,848	497,152	455,032	445,005

### 28. Subsequent events

From March 31, 2014 until the date of the present report, there has not been any significant event affecting the interim consolidated financial statements.

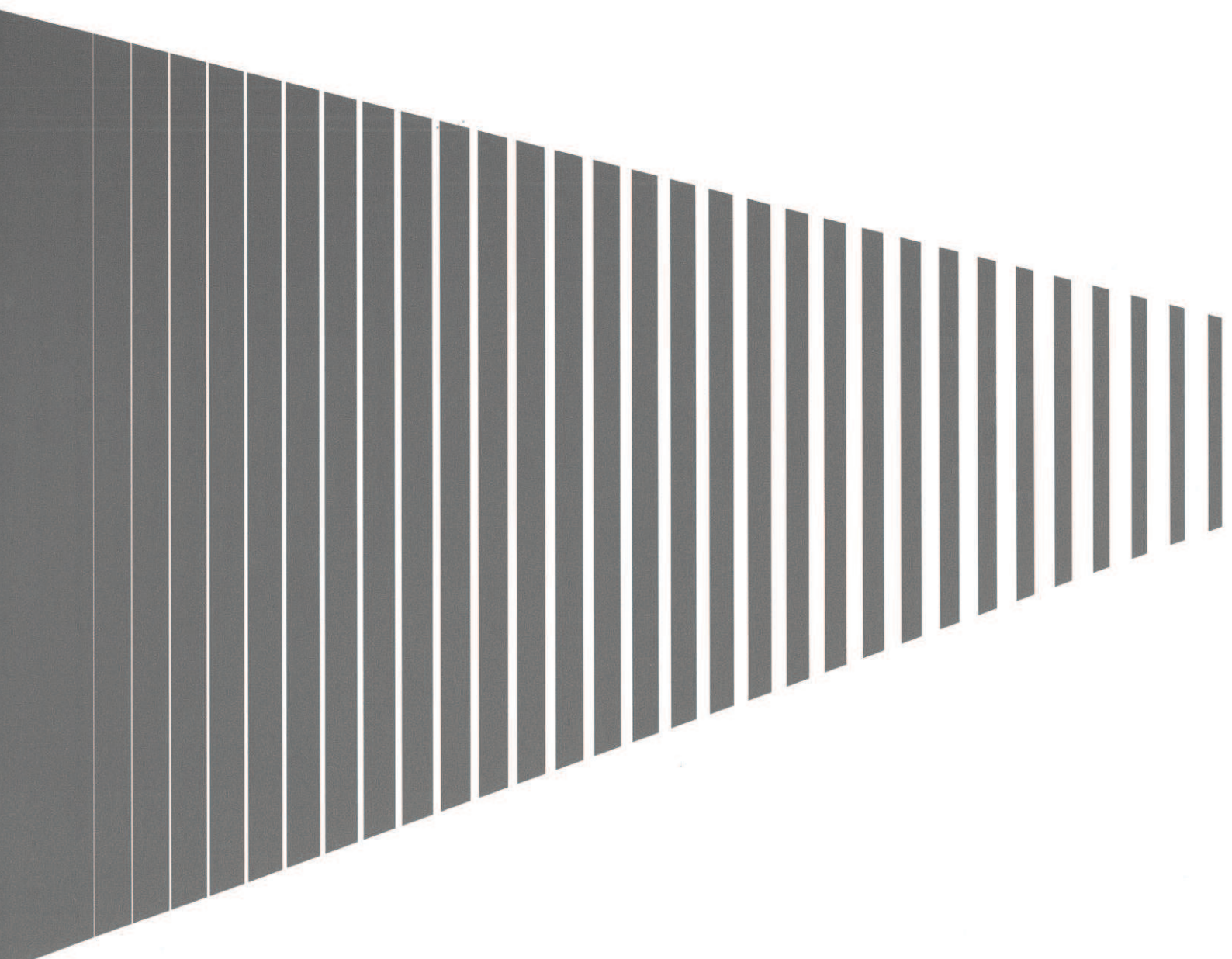
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