



BVL: INRETC1

**EARNINGS REPORT
FIRST QUARTER 2013**

April 30, 2013

Highlights for First Quarter 2013

InRetail's Consolidated Performance

- Consolidated revenues of S/. 1,233 million, 8.5% over Q1 2012
- Adjusted EBITDA of S/. 104 million, 10.6% over Q1 2012
- Adjusted EBITDA margin of 8.4%, compared to 8.3% in Q1 2012
- Consolidated Net Income of S/. 15 million, 55.8% below Q1 2012
- Net Margin of 1.2%, compared to 2.9% in Q1 2012

Supermarkets

- Revenues of S/. 781 million, 7.2% over Q1 2012
- Same store sales decreased 0.7% in Q1 2013¹
- Adjusted EBITDA of S/. 45 million, 0.3% over Q1 2012
- Adjusted EBITDA margin of 5.7%, compared to 6.1% in Q1 2012
- 2 stores opened in Q1 2013, 11 new stores since Q1 2012 (20,020 sqm), reaching a total sales area of 226,775 sqm

Pharmacies

- Revenues of S/. 415 million, 8.8% over Q1 2012
- Same store sales decreased 1.1% in Q1 2013²
- Adjusted EBITDA of S/. 34 million, 4.4% over Q1 2012
- Adjusted EBITDA margin of 8.3%, compared to 8.6% in Q1 2012
- 30 additional stores in Q1 2013; 170 since Q1 2012, total of 610 stores

Shopping Centers

- Revenues of S/. 49 million, 47.4% over Q1 2012
- Adjusted EBITDA of S/. 26 million, 54.9% over Q1 2012
- Adjusted EBITDA margin of 53.6%, compared to 51.0% in Q1 2012
- 2 shopping center expansions concluded in Q1 2013; 8 shopping center expansions and one new shopping center since Q1 2012 (73,550 sqm of additional GLA) , reaching a total GLA of 284,853 sqm³

¹ Supermarkets same store sales adjusted by leap year effect (2012): +0.4%.

² Pharmacies same store sales adjusted by leap year effect (2012): +0.1%.

³ Total GLA of 318,304 sqm including 2 managed properties.

InRetail at a Glance

	Supermarkets	Pharmacies	Shopping Centers	
LTM Q1 2013 (S/. millions)				
Revenues ⁴	3,112	1,634	176	4,881
Adjusted EBITDA ⁵	198	136	93	422
Market position	2 nd	1 st	1 st	
# Stores / Properties	88	610	14 ⁶	
Sales area / GLA	226,775 sqm	N/A	318,304 sqm	
# Employees	12,954	7,957	366	

⁴ Revenues include intercompany eliminations.

⁵ Adjusted EBITDA defined as Operating profit, plus depreciation and amortization, less the impact of marking to market the values of our investment properties; InRetail Adjusted EBITDA includes holding costs.

⁶ Includes 12 owned (284,853 sqm of GLA) and 2 managed properties.

Results of Operations

Consolidated Income Statement

First Quarter of 2013, compared to First Quarter of 2012

The following table sets forth the main components of InRetail's consolidated income statement for the first quarter of 2013 and 2012.

InRetail Peru Corp

Consolidated Income Statement

In Millions	First Quarter		
	2013 (Nuevos Soles)	2012	Change %
Revenues:			
Supermarkets	781	729	7.2%
Pharmacies	415	381	8.8%
Shopping Centers	49	33	47.4%
Intercompany transactions	-11	-7	70.3%
Total revenues	1,233	1,137	8.5%
Cost of sales:			
Supermarkets	-581	-540	7.7%
Pharmacies	-289	-274	5.4%
Shopping Centers	-11	-9	24.3%
Intercompany transactions	-	-	-
Total cost of sales	-882	-824	7.1%
Gross profit:			
Supermarkets	200	189	5.7%
Pharmacies	125	107	17.4%
Shopping Centers	38	24	56.2%
Intercompany transactions	-11	-7	70.3%
Total gross profit	351	313	12.2%
Selling and administrative expenses	-282	-245	15.4%
Other operating income (expenses), net	12	0	-
Operating profit	81	68	18.5%
Financial income (expenses), net	-53	-18	189.5%
Income tax expense	-13	-17	-22.7%
Net Income	15	33	-55.8%

InRetail Peru Corp

Adjusted EBITDA

In Millions	First Quarter		
	2013 (Nuevos Soles)	2012	Change %
Supermarkets	45	45	0.3%
Pharmacies	34	33	4.4%
Shopping Centers	26	17	54.9%
Total	105	94	11.5%
Holding expenses and intercompany transactions	-1	-1	169.5%
Adjusted EBITDA	104	94	10.6%

InRetail's Results Analysis

The following analysis compares InRetail's results for the first quarter of 2013 with the same period in 2012.

Revenues

InRetail's revenues grew S/. 97 million or 8.5% in the first quarter of 2013, compared to the same period in 2012, primarily due to new store openings and new GLA.

InRetail's revenues Analysis by Segment

- Supermarkets revenues grew S/. 52 million, or 7.2% in the first quarter of 2013, compared to the same period in 2012. The main factor leading to this growth is the opening of 11 stores since the first quarter of 2012 (20,020 sqm, an increase of 9.7%), 2 of them in the first quarter of 2013. Same store sales decreased 0.7% in the first quarter of 2013⁷.
- Pharmacies revenues grew S/. 33 million, or 8.8% in the first quarter of 2013, compared to the same period in 2012, mainly due to 170 additional stores since the first quarter of 2012, 30 of them in the first quarter of 2013. Same store sales decreased 1.1% in the first quarter of 2013⁸.
- Shopping centers revenues grew S/. 16 million, or 47.4% in the first quarter of 2013, compared to the same period in 2012, primarily due to the increase in revenues from existing shopping centers, 8 shopping center expansions concluded since the first quarter of 2012 and the opening of Real Plaza Huánuco shopping center during the last quarter of 2012 (a total of 73,550 square meters of additional GLA, or 34.8% increase).

Cost of sales

InRetail's cost of sales grew S/. 59 million or 7.1% in the first quarter of 2013, compared to the same period in 2012.

InRetail's cost of sales Analysis by Segment

- Supermarkets cost of sales grew S/. 41 million, or 7.7% in the first quarter of 2013, compared to the same period in 2012, mainly due to higher sales. This growth was greater than sales growth primarily due to the increase of promotional campaigns.
- Pharmacies cost of sales grew S/. 15 million, or 5.4% in the first quarter of 2013, compared to the same period in 2012, due to higher sales. However, this growth was below sales growth due to bargaining power and an increase in the penetration of high margin products which have lower costs.

⁷ Supermarkets same store sales adjusted by leap year effect (2012): +0.4%.

⁸ Pharmacies same store sales adjusted by leap year effect (2012): +0.1%.

- Shopping centers cost of sales increased S/. 2 million, or 24.3% in the first quarter of 2013, compared to the same period in 2012, due to higher revenues. However, this growth was lower than revenues growth due to fixed costs dilution.

Gross Profit

InRetail's gross profit grew S/. 38 million, or 12.2% in the first quarter of 2013, compared to the same period in 2012.

We define gross margin as gross profit as a percentage of revenues. As a result of the above factors, InRetail's gross margin increased from 27.5% in the first quarter of 2012, to 28.5% in the first quarter of 2013.

Gross Profit Analysis by Segment

- Supermarkets gross profit increased S/. 11 million, or 5.7% in the first quarter of 2013 compared to the same period in 2012. Supermarkets gross margin decreased from 25.9% in the first quarter 2012 to 25.6% in the same period in 2013.
- Pharmacies gross profit grew S/. 19 million, or 17.4% in the first quarter of 2013 compared to the same period in 2012, improving its gross margin from 28.0% to 30.2%.
- Shopping centers gross profit grew S/. 13 million, or 56.2% in the first quarter of 2013 compared to the same period in 2012, improving its gross margin from 72.4% to 76.7%.

Selling and Administrative Expenses

The following table sets forth InRetail's selling and administrative expenses of the first quarter of 2013 and 2012.

InRetail Peru Corp Selling and Administrative expenses

	First Quarter		
	2013 (Nuevos Soles)	2012	Change %
In Millions			
Supermarkets	184	166	11.0%
Pharmacies	95	77	23.5%
Shopping Centers	12	7	66.3%
Holding expenses	1	1	174.9%
Intercompany transactions	-11	-7	70.3%
Consolidation Adjustments	1	1	41.9%
Total selling and administrative expenses	282	245	15.4%

InRetail's selling and administrative expenses grew S/. 38 million, or 15.4% in the first quarter of 2013 compared to the same period in 2012. As a percentage of revenues, selling and administrative expenses increased from 21.5% in the first quarter of 2012, to 22.9% in the same period in 2013.

Selling and Administrative Expenses Analysis by Segment

- Supermarkets selling and administrative expenses increased S/. 18 million, or 11.0% in the first quarter of 2013 compared to the same period in 2012, increasing from 22.8% to 23.6% as a percentage of supermarkets revenues. The main factors that impacted our supermarkets selling and administrative expenses were an increase of the minimum wage by 11.1% in June 2012, and having 10 new stores with less than 6 months of operation (8 new stores in the last quarter of 2012 and 2 new stores in the first quarter of 2013). As these stores continue their ramp up period, logistic and operation expenses get diluted.
- Pharmacies selling and administrative expenses grew S/. 18 million, or 23.5% in the first quarter of 2013 compared to the same period in 2012, due to higher store, logistics and warehousing expenses due to the new stores opened. As a percentage of pharmacies revenues, selling and administrative expenses increased from 20.2% in the first quarter of 2012 to 23.0% in the same period of 2013, due to 107 new stores with less than 6 months of operation (77 additional stores in the last quarter of 2012 and 30 additional stores in the first quarter of 2013). As these stores continue their ramp up period, logistic and operation expenses get diluted.
- Shopping centers selling and administrative expenses increased S/. 5 million, or 66.3% in the first quarter of 2013 compared to the same period in 2012.
The increase in selling and administrative expenses in the shopping centers segment is mainly explained by the opening and operation of Real Plaza Huánuco and the expansion of 8 shopping centers since the first quarter of 2012. In addition, as a consequence of the corporate restructuring concluded in August 2012, we included the real estate team expenses previously spread across different related entities.

Intercompany transactions are eliminated upon consolidation of our financial statements.

Consolidation adjustments caption represents the necessary amounts that are included in the consolidation process for the subsidiaries' financial statements in order to show them as a single entity instead of separate business units.

Other Operating Income (Expenses), Net

InRetail's other operating income (expenses), net, resulted in an income of S/. 12 million in the first quarter of 2013, compared to an income of S/.0.1 million in the same period in 2012, mainly due to S/. 10 million paid by *Tarjeta Oh!* to be allowed to offer exclusive promotions in our supermarkets, in similar terms and conditions as *Tarjeta Vea*.

Other operating income is also generated in our shopping centers segment due to increases in the fair value of investment properties determined in accordance with IFRS. Other operating income from marking the investment properties to market was S/. 2 million in the first quarter of 2013 compared to S/. 1 million in the same period in 2012.

Operating Profit

The following table sets forth InRetail's operating profit for the first quarter of 2013 and 2012.

InRetail Peru Corp Operating Profit

	First Quarter		
	2013 (Nuevos Soles)	2012	Change %
In Millions			
Supermarkets	25	22	13.1%
Pharmacies	30	29	2.5%
Shopping Centers	27	19	46.3%
Holding expenses	-1	-1	174.9%
Intercompany transactions	-	-	-
Consolidation adjustments	-0	-2	-78.1%
Total Operating Profit	81	68	18.5%

InRetail's operating profit grew S/. 13 million, or 18.5%, in the first quarter of 2013 compared to the same period in 2012. Operating margin was 6.6% in the first quarter of 2013 compared to 6.0% in the same period in 2012.

Operating Profit Analysis by Segment

- Supermarkets operating profit grew S/. 3 million, or 13.1% in the first quarter of 2013 compared to the same period in 2012, improving its operating margin from 3.1% to 3.3%, mainly due to higher other operating income (expenses), net, despite a lower gross margin and higher selling and administrative expenses.
- Pharmacies operating profit grew S/. 1 million, or 2.5% in the first quarter of 2013 compared to the same period in 2012, decreasing its operating margin from 7.7% to 7.3% mainly due to new stores in the process of fixed costs dilution, despite a higher gross margin.
- Shopping centers operating profit grew S/. 9 million, or 46.3% in the first quarter of 2013 compared to the same period in 2012, mainly due to higher revenues, gross profit and gross margin, despite the increase in selling expenses.

Intercompany transactions are eliminated upon consolidation of our financial statements.

Consolidation adjustments caption represents the necessary amounts that are included in the consolidation process for the subsidiaries' financial statements in order to show them as a single entity instead of separate business units.

Financial Income (Expenses), Net

InRetail's financial income resulted in a loss of S/. 13 million in the first quarter of 2013, mainly as a result of foreign exchange losses, despite higher interest income on short-term investments. Due to the effect of the depreciation of the nuevo sol relative to the U.S. dollar on our financial liabilities denominated in U.S. dollars, we registered a net exchange loss of S/. 21 million in the first quarter of 2013.

Our financial expenses were S/. 40 million in the first quarter of 2013, 7.4% over the same period in 2012. The main factor that impacted our financial expenses was the increase in our borrowings primarily used to finance our supermarkets store openings and new shopping centers.

Income Tax Expense

Income tax is paid based on the profit from sales and leasing revenues in our segments as well as capital gains tax from realized gains or losses in the value of investment properties.

InRetail's income tax expense decreased S/. 4 million, or 22.7% in the first quarter of 2013, compared to the same period in 2012.

Net Income

InRetail's net income decreased S/. 19 million, or 55.8% in the first quarter of 2013 compared to the same period in 2012. Net margin decreased from 2.9% in the first quarter of 2012 to 1.2% in the same period in 2013.

Adjusted EBITDA⁹

The following table sets forth InRetail's adjusted EBITDA for the first quarter of 2013 and 2012.

⁹ Adjusted EBITDA defined as Operating profit, plus depreciation and amortization, less the impact of marking to market the values of our investment properties.

InRetail Peru Corp

Adjusted EBITDA

In Millions	First Quarter		
	2013	2012	Change
	(Nuevos Soles)		%
Supermarkets	45	45	0.3%
Pharmacies	34	33	4.4%
Shopping Centers	26	17	54.9%
Total	105	94	11.5%
Holding expenses and intercompany transactions	-1	-1	169.5%
Adjusted EBITDA	104	94	10.6%

InRetail's adjusted EBITDA increased S/. 10 million, or 10.6% in the first quarter of 2013 compared to the same period in 2012. Adjusted EBITDA margin (Adjusted EBITDA as a percentage of revenues) increased from 8.3% in the first quarter of 2012 to 8.4% in the same period in 2013.

Adjusted EBITDA Analysis by Segment

- Supermarkets adjusted EBITDA grew S/. 0.1 million, or 0.3% in the first quarter of 2013 compared to the same period in 2012. Adjusted EBITDA margin decreased from 6.1% in the first quarter of 2012 to 5.7% in the same period in 2013, mainly due to a lower gross margin and the increase of selling expenses, partially compensated by the *entry fee* paid by *Tarjeta Oh!* to be allowed to offer exclusive promotions in our supermarkets.
- Pharmacies adjusted EBITDA grew S/. 1 million, or 4.4% in the first quarter of 2013 compared to the same period in 2012. Adjusted EBITDA margin decreased from 8.6% in the first quarter of 2012 to 8.3% in the same period in 2013, mainly due to higher operating and logistic expenses, despite a higher gross margin.
- Shopping centers adjusted EBITDA grew S/. 9 million, or 54.9% in the first quarter of 2013 compared to the same period in 2012. Adjusted EBITDA margin increased from 51.0% in the first quarter of 2012 to 53.6% in the same period in 2012, mainly due to higher revenues and gross margin, despite the increase in selling expenses.

Consolidated Statement of Financial Position
As of March 31, 2013 and March 31, 2012

InRetail Peru Corp

Consolidated Statement of Financial Position

In Millions	As of March 31,	
	2013	2012
	(nuevos soles)	
Cash and short-term deposits	840	345
Inventories, net	612	624
Other current assets	328	175
Property, furniture and equipment	1,862	1,591
Investment properties	1,261	784
Intangible assets	1,143	1,121
Other non current assets	26	14
Total assets	6,073	4,654
Short- term debt	75	98
Other short-term liabilities	1,234	1,139
Long-term debt	1,625	1,439
Other long-term liabilities	226	211
Total liabilities	3,160	2,887
Non-controlling interest	0	2
Net equity attributable to controlling shareholders	2,914	1,765
Total net equity and liabilities	6,073	4,654

Earnings Release First quarter 2013



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