**InRetail Real Estate Corp. and Subsidiaries**

Interim unaudited consolidated financial statements as of September 30, 2014 and for the nine-month periods ended as of September 30, 2014 and 2013

**InRetail Real Estate Corp. and Subsidiaries**

# Consolidated statements of financial position

As of September 30, 2014 (unaudited) and December 31, 2013 (audited)

| | Note | September 30, 2014 S/.(000) | December 31, 2013 S/.(000) |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalent | 4 | 83,756 | 80,819 |
| Investment at fair value through profit or loss | | 2,111 | - |
| Trade receivables net | 5 | 25,313 | 19,111 |
| Accounts receivable to related parties | 23 | 83,771 | 74,713 |
| Other receivables | 6 | 13,259 | 6,475 |
| Prepaid expenses | 7 | 5,358 | 4,882 |
| Recoverable taxes | 8 | 55,249 | 27,459 |
| **Total current assets** | | 268,817 | 213,459 |
| Recoverable taxes | 8 | 105,837 | 101,674 |
| Facilities, furniture and equipment, net | 9 | 4,311 | 3,428 |
| Investment properties | 10 | 2,586,587 | 2,052,896 |
| Other assets | | 969 | 9,302 |
| Deferred Income tax asset | 14 | 884 | 323 |
| **Total assets** | | 2,967,405 | 2,381,082 |
| **Liabilities and equity** | | | |
| **Current liabilities** | | | |
| Trade payables | 11 | 40,501 | 51,666 |
| Accounts payable to related parties | 23 | 1,807 | 1,246 |
| Other liabilities | 12 | 41,021 | 29,613 |
| Current portion of long-term financial obligations | 13 | 24,792 | 14,977 |
| **Total current liabilities** | | 108,121 | 97,502 |
| Other long-term liabilities | 12 | 39,329 | 16,322 |
| Long-term financial obligations | 13 | 1,073,975 | 608,889 |
| Deferred Income tax liability | 14 | 111,035 | 85,300 |
| **Total liabilities** | | 1,332,460 | 808,013 |
| **Equity** | 16 | | |
| Capital stock | | 1,475,706 | 1,475,706 |
| Retained earnings | | 154,291 | 92,859 |
| | | 1,629,997 | 1,568,565 |
| **Non-controlling interest** | | 4,948 | 4,504 |
| **Total equity** | | 1,634,945 | 1,573,069 |
| **Total liabilities and equity** | | 2,967,405 | 2,381,082 |

**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 nine-month periods ended as of September 30, 2014 and 2013

| | Note | September 30, 2014<br>S/.(000) | September 30, 2013<br>S/.(000) |
|---|---|---|---|
| Rental income | 17 | 156,506 | 91,495 |
| Income from management services | 17 | 83,233 | 59,802 |
| Cost related to income from management services | 18 | (70,223) | (45,732) |
| **Net rental income** | | 169,516 | 105,565 |
| Cost of rental income | 18 | (14,417) | (8,477) |
| **Gross profit** | | 155,099 | 97,088 |
| Fair value adjustment for investment properties | 10(d) | 34,556 | 14,952 |
| Selling and administrative expenses | 19 | (21,971) | (22,006) |
| Other income (expenses), net | 20 | 23 | 1,165 |
| **Operating profit** | | 167,707 | 91,199 |
| Financial income | 21 | 7,356 | 12,612 |
| Financial expenses | 21 | (59,056) | (48,665) |
| Exchange difference, net | 24(a)(ii) | (29,082) | (47,308) |
| **Profit before Income Tax** | | 86,925 | 7,838 |
| Income tax | 14(b) | (25,049) | (3,425) |
| **Net profit** | | 61,876 | 4,413 |
| **Attributable to:** | | | |
| InRetail Real Estate Corp. Shareholders | | 61,432 | 4,413 |
| Non-controlling interest | | 444 | - |
| **Net profit** | | 61,876 | 4,413 |
| Other comprehensive income | | - | - |
| **Total comprehensive income** | | 61,876 | 4,413 |
| **Earnings per share:** | 16(b) | | |
| Basic and diluted profit per share attributable to InRetail Real Estate Corp. shareholders | | 0.1089 | 0.0079 |

**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 nine-month periods ended as of September 30, 2014 and 2013

| | Atributable to owners of Parent | | | | |
|---|---|---|---|---|---|
| | **Capital stock** S/.(000) | **Retained earnings** S/.(000) | **Total** S/.(000) | **Non-controlling interests** S/.(000) | **Total Net equity** S/.(000) |
| **Balance as of January 1, 2013** | 1,315,706 | 54,574 | 1,370,280 | 2,665 | 1,372,945 |
| Net income | - | 4,413 | 4,413 | - | 4,413 |
| **Total comprehensive income** | - | 4,413 | 4,413 | - | 4,413 |
| Cash contributions, Note 17(a) | 160,000 | - | 160,000 | 1,329 | 161,329 |
| **Balance as of September 30, 2013** | 1,475,706 | 58,987 | 1,534,693 | 3,994 | 1,538,687 |
| **Balance as of January 1, 2014** | 1,475,706 | 92,859 | 1,568,565 | 4,504 | 1,573,069 |
| Net income | - | 61,432 | 61,432 | 444 | 61,876 |
| **Total comprehensive income** | - | 61,432 | 61,432 | 444 | 61,876 |
| **Balance as of September 30, 2014** | 1,475,706 | 154,291 | 1,629,997 | 4,948 | 1,634,945 |

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 nine-month periods ended as of September 30, 2014 and 2013

| | September 30, 2014<br>S/.(000) | September 30, 2013<br>S/.(000) |
|---|---|---|
| **Operating activities** | | |
| Net profit | 61,876 | 4,413 |
| **Non-cash adjustment to reconcile profit before tax to net cash flow** | | |
| Allowance for doubtful accounts receivable | 1,437 | 498 |
| Depreciation of facilities, furniture and equipment | 877 | 580 |
| Amortization of intangible assets | 67 | 53 |
| Fair value adjustment for investment properties | (34,556) | (14,952) |
| Exchange difference | 18,597 | 36,865 |
| Deferred income tax | 24,065 | 2,091 |
| Deferred financial expenses | 1,905 | - |
| Others | (23) | - |
| Loss (gain) on valuation of financial instruments | - | 1,588 |
| **Working capital adjustments** | | |
| Increase in trade accounts receivable | (7,639) | (5,246) |
| Increase in other accounts receivable | (6,784) | (11,177) |
| Decrease in trade accounts receivable from related parties | 4,437 | 830 |
| Increase in prepaid expenses | (476) | (8,233) |
| Decrease in recoverable taxes | 4,894 | 16,192 |
| Decrease in trade accounts payable | (5,177) | (3,663) |
| Increase in other liabilities | 8,634 | 6,649 |
| Increase in accounts payable to related parties | 561 | - |
| Increase deferred income | 23,007 | 8,882 |
| **Net cash provided by operating activities** | 95,702 | 35,370 |
| | | |
| **Investing activities** | | |
| Purchase of investment at fair value through profit or loss | (2,111) | - |
| Loans granted | (65,024) | (82,613) |
| Collection of loans granted | 51,529 | 78,479 |
| Purchase or facilities, furniture and equipment, net of acquisitions through leasing contracts | (1,760) | (575) |
| Purchase and development of intangible assets | (11) | (287) |
| Purchase of investment properties | (493,827) | (391,581) |
| Value added tax payment corresponding to work in progress | (36,847) | (55,816) |
| Purchase of Investments at fair value through profit or loss | - | 292,255 |
| **Net cash used in investing activities** | (548,051) | (160,138) |

# Consolidated statements of cash flows (unaudited) (continued)

| | September 30, 2014<br>S/.(000) | September 30, 2013<br>S/.(000) |
|---|---|---|
| **Financing activities** | | |
| Increase (decrease) in borrowings | (92,150) | (5,522) |
| Payment of bonds | | |
| Bonds Issuance | 1,153,200 | - |
| Structuring cost | (67,947) | - |
| Bond Repurchase | (537,817) | - |
| Prepayment of bonds issued | - | (161,414) |
| Capital contribution | - | 160,000 |
| Increase of non-controlling interest | - | 1,329 |
| **Net cash provided (used) by financing activities** | 455,286 | (5,607) |
| **Net increase (decrease) of cash and short-term deposits** | 2,937 | (130,375) |
| Cash and short-term deposits at the beginning of year | 80,819 | 215,724 |
| **Cash and short-term deposits at the end of year** | 83,756 | 85,349 |

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)

Interim unaudited consolidated financial statements as of September 30, 2014 and for the nine-month periods ended as of September 30, 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 September 30, 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 –Inretail Shopping Malls, 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 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.

**2. Subsidiaries activities**

Following is the description of the Company's main Subsidiaries activities:

(a) Patrimonio en Fideicomiso – D.S.N°093-2002 – EF – Inretail Shopping Malls is a Special Purpose entity (SPE) formed on July 2014, for the purpose of holding certificate of participation of Patrimonio en Fideicomiso – D.S. N°093-2002 – EF - Interproperties Holding and Patrimonio en Fideicomiso – D.S. N°093-2002-EF-Interproperties Holding II and shock of Real Plaza S.R.L. and InRetail Properties Management S.R.L.

(b) 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 Fideicometido – 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.

(c) Real Plaza S.R.L. (hereinafter "Real Plaza")
An entity focused on operating the shopping malls (18 as of September 30, 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 September 30, 2014, Real Plaza manages shopping malls in Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca, Huánuco, Cusco, Cajamarca and Lima.

(d) 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.

**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 September 30, 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. Cash and cash equivalent**

(a) The composition of this caption is presented below:

| | As of September 30, 2014 S/.(000) | As of December 31, 2013 S/.(000) |
|---|---|---|
| Time deposits (b) | - | 71,094 |
| Interest - bearing accounts (c) | 64,846 | 5,254 |
| Current accounts (d) | 18,888 | 4,443 |
| Cash | 22 | 28 |
| | 83,756 | 80,819 |

(b) As of September 30, 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) As of September 30, 2014, the Company maintains Interest - bearing accounts in Nuevos soles and dollars in local financial institutions. These accounts generated average annual interest rate of 3.15 percent for local currency and 0.15 percent for foreign currency.

(d) The current accounts comprise accounts in Nuevos Soles and US dollars, in local financial institutions, free of liens, unrestricted and do not bear interests.

**5. Trade receivables**

(a) The composition of this caption is presented below:

| | As of September 30, 2014 S/.(000) | As of December 31, 2013 S/.(000) |
|---|---|---|
| Bills receivable (b) | 20,439 | 13,983 |
| Unbilled services (c) | 8,806 | 7,616 |
| | 29,245 | 21,599 |
| **Minus -** | | |
| Allowance for doubtful accounts | (3,932) | (2,488) |
| | 25,313 | 19,111 |

(b) As of September 30, 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 September 30, 2014 and December 31, 2013, mainly corresponds to unbilled lease services for variable and fixed rents, which are billed during the following quarter.

(d) As of September 30, 2014 and December 31, 2013, the analysis of trade receivables is as follows:

| | As of September 30, 2014 | | |
|---|---|---|---|
| | **Non-impaired** S/.(000) | **Impaired** S/.(000) | **Total** S/.(000) |
| **Unbilled services** | 9,245 | - | 9,245 |
| **Past-due** | | | |
| From 1 to 90 days | 8,883 | - | 8,883 |
| From 91 to 120 days | 2,225 | - | 2,225 |
| From 121 to 180 days | 3,319 | 100 | 3,419 |
| From 181 to 270 days | 1,517 | 1,083 | 2,600 |
| More than 271 days | 124 | 2,749 | 2,873 |
| | 25,313 | 3,932 | 29,245 |

| | As of December 31, 2013 | | |
|---|---|---|---|
| | **Non-impaired** S/.(000) | **Impaired** S/.(000) | **Total** S/.(000) |
| **Unbilled services** | 7,616 | - | 7,616 |
| **About to mature** | 16 | - | 16 |
| **Past-due** | | | |
| 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 |
| | 19,111 | 2,488 | 21,599 |

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.

(e) The movement of the provision for impairment as of September 30, 2014 and December 31, 2013 is as follows:

| | **As of September 30, 2014** S/.(000) | **As of September 30, 2013** S/.(000) |
|---|---|---|
| **Balance as of January 1** | 2,488 | 1,882 |
| Additions net | 1,437 | 498 |
| Exchange difference | 7 | - |
| **Final balance as of** | 3,932 | 2,488 |

In the opinion of InRetail Real Estate Management, the provision for impairment appropriately covers the credit risk as of September 30, 2014 and December 31, 2013.

**6. Other receivables**

(a) The composition of this caption is presented below:

| | As of September 30, 2014 S/.(000) | As of December 31, 2013 S/.(000) |
|---|---|---|
| Third – party guarantee | 2,750 | 2,750 |
| Claims (c) | 1,934 | 2,060 |
| Other | 8,575 | 1,665 |
| | 13,259 | 6,475 |

(b) 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.

(c) 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 September 30, 2014 and December 31, 2013, as no credit risk has been identified.

## 7. Prepaid expenses

(a) The composition of this caption is presented below:

| | As of September 30, 2014<br>S/.(000) | As of December 31, 2013<br>S/.(000) |
|---|---|---|
| Rents paid in advance (b) | 2,414 | 3,013 |
| Insurances | 1,426 | 1,829 |
| Other | 281 | 40 |
| | 5,358 | 4,882 |

(b) As of September 30, 2014, correspond to rental payments made in advance in compliance with surface rights contract for land lots located in the department of Chiclayo 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. As of December 31, 2013, mainly correspond to rental payments for land lots located in Cusco.

## 8. Recoverable taxes

(a) The composition of this caption is presented below:

| **By type:** | As of September 30, 2014<br>S/.(000) | As of December 31, 2013<br>S/.(000) |
|---|---|---|
| Tax credit recoverable for value-added-tax (b) | 134,320 | 123,325 |
| Funds held in Banco de la Nación | 26,098 | 5,706 |
| Income Tax payment | 668 | 102 |
| | 161,086 | 129,133 |
| **By term:** | | |
| Current | 55,249 | 27,459 |
| Non-current | 105,837 | 101,674 |
| | 161,086 | 129,133 |

(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 (SPE´s). 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.

**9. 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) | Computer equipment and miscellaneous S/.(000). | Work in progress S/.(000) | Total S/.(000) |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance as of January 1, 2014** | 959 | 2,212 | 263 | 2,100 | 300 | 5,834 |
| Additions | - | 7 | 274 | 804 | 1,730 | 2,815 |
| Disposals | - | - | - | - | (1,055) | (1,055) |
| **Balance as of September 30, 2014** | 959 | 2,219 | 537 | 2,904 | 975 | 7,594 |
| **Accumulated depreciation** | | | | | | |
| **Balance as of January 1, 2014** | 416 | 951 | 93 | 946 | - | 2,406 |
| Depreciation of the year | 288 | 184 | 60 | 345 | - | 877 |
| **Balance as of September 30, 2014** | 704 | 1,135 | 153 | 1,291 | - | 3,283 |
| **Net cost as of September 30, 2014** | 255 | 1,084 | 384 | 1,613 | 975 | 4,311 |
| **Net cost as of January 1, 2014** | 543 | 1,261 | 170 | 1,154 | 300 | 3,428 |

(b) As of September 30, 2014 and December 31, 2013, there are not pledges or guarantees provided to third parties on the facilities, furniture and equipment of InRetail Real Estate.

(c) As of September 30, 2014 and December 31, 2013, InRetail Real Estate´s Management performed an assessment of the facilities, furniture and equipment, and has not found any impairment indicator on said assets. In its opinion, the book value of the facilities, furniture and equipment is recoverable with the income generated by InRetail Real Estate.

**10. Investment properties**

(a) The composition of this caption is presented below:

| | As of September 30, 2014 S/.(000) | As of December 31, 2013 S/.(000) | Valuation methodology As of September 30, 2014 | Valuation methodology As of December 31, 2013 |
|---|---|---|---|---|
| **Built on owned land** | | | | |
| Real Plaza Chiclayo Shopping Mall (ii) | 225,257 | 216,291 | DCF | DCF |
| Real Plaza Primavera Shopping Mall (ii) | 199,363 | 195,687 | DCF | DCF |
| Real Plaza Piura Shopping Mall (ii) | 166,839 | 155,794 | DCF | DCF |
| Real Plaza Trujillo Shopping Mall (ii) | 142,165 | 145,993 | DCF and Appraisal | DCF and Appraisal |
| Real Plaza Cajamarca Shopping Mall (ii) | 137,838 | 128,253 | DCF | DCF |
| Real Plaza Santa Clara Shopping Mall (ii) | 90,238 | 87,404 | DCF and Appraisal | DCF and Appraisal |
| Real Plaza Pro Shopping Mall (ii) | 80,293 | 78,232 | DCF | DCF |
| Real Plaza Chorrillos Shopping Mall (ii) | 57,935 | 46,053 | DCF | DCF |
| Real Plaza Nuevo Chimbote Shopping Mall (ii) | 25,659 | 27,091 | DCF | DCF |
| Jirón de la Unión-Store | 23,367 | 23,375 | DCF | DCF |
| Puruchuco (iii) | 114,128 | - | DCF | - |
| Chacarilla | 22,054 | - | (iv) | - |
| Carabayllo | 16,520 | 18,943 | (iii) | (iii) |
| Tarapoto | 13,856 | 14,289 | (iii) | (iii) |
| Zapallal | 12,272 | 12,254 | (iii) | (iii) |
| Cañete Valley land | 11,536 | 11,536 | Appraisal | Appraisal |
| Property in San Juan de Lurigancho | 8,925 | 8,449 | DCF | DCF |
| Pisco | 2,811 | 2,811 | (iii) | (iii) |
| Pueblo Joven Miramar Bajo Mz A Lt 16 – Chimbote – Santa – Ancash (iii) | 1,405 | 1,641 | DCF and Appraisal | DCF and Appraisal |
| **Built on surface or usufruct rights** | | | | |
| Real Plaza Salaverry Shopping Mall (i) | 370,975 | 289,783 | DCF | DCF |
| Real Plaza "San Antonio" Cusco Shopping Mall (i), (ii) | 214,621 | 176,901 | DCF | DCF |
| Real Plaza Centro Cívico Shopping Mall (i) | 203,922 | - | DCF | - |
| Real Plaza Huancayo Shopping Mall (i) y (ii) | 138,414 | 118,823 | DCF | DCF |
| Real Plaza Huánuco Shopping Mall (i) y (ii) | 112,821 | 110,585 | DCF | DCF |
| Real Plaza Arequipa Shopping Mall (i) y (ii) | 94,121 | 94,809 | DCF | DCF |
| Real Plaza Juliaca Shopping Mall (i) y (ii) | 92,663 | 82,471 | DCF | DCF |
| **Usufruct rights** | | | | |
| Peramás (i) | 4,489 | 3,528 | Cost | Cost |
| La Curva (i) | 851 | 851 | Cost | Cost |
| Moquegua (i) | 1,068 | 428 | Cost | Cost |
| Others | 181 | 621 | Cost | Cost |
| | 2,586,587 | 2,052,896 | | |

DCF: Discounted cash flow

(i) For the construction of these shopping malls and properties, surface rights contracts were subscribed with the Arzobispado de Cuzco (on land in Cusco "San Antonio"), Municipalidad provincial de Huánuco (on land of "Real Plaza Huánuco" shopping mall), Oficina de Normalización Previsional – ONP (Centro Cívico), Despensa Peruana S.A. and Mercantil Inca S.A. (Peramás), Inmobiliaria Pazos S.A.C. (La Curva), Gobierno Regional de Moquegua (Moquegua), Ferrovías Central Andina S.A.(Huancayo); the Association denominated "Religiosas del Sagrado Corazón de Jesús" (Arequipa), Ferrocarril Trasandino S.A.(Juliaca), and the Marina de 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, a cinema complex and entertainment zone for which there have been subscribed contracts that include minimum monthly fixed rental payments and variable payments based on the retail sales of the tenants.

(iii) Correspond to lands on which real estate projects will be developed, mainly shopping malls branded "Real Plaza". In the opinion of InRetail Real Estate´s Management the book value of these investment properties does not differ significantly from their fair value as of September 30, 2014 and December 31, 2013 since Management has been managing the related licenses for their development.

(b) The movement of this caption for the nine-month periods ended as of September 30, 2014 is as follows:

| | 2014<br>S/.(000) |
|---|---|
| **Balance as of January 1** | 2,052,896 |
| Additions | 499,667 |
| Disposal of property | (532) |
| Fair value adjustment (*) | 34,556 |
| **Final balance as of September 30** | 2,586,587 |

(*) The fair value adjustment for the nine-month period ended as of September 30, 2013 amounted to S/. 14,952,000.

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 September 30, 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.

(c) 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 | 1,725 | 16,228 | 1,007 | 31,653 | 2,732 | 47,881 |
| 2015 | 6,897 | 64,275 | 3,634 | 112,528 | 10,531 | 176,803 |
| 2016 | 6,821 | 61,984 | 3,032 | 93,621 | 9,853 | 155,605 |
| 2017 | 6,758 | 59,404 | 2,537 | 68,001 | 9,295 | 127,405 |
| 2018-2044 | 126,867 | 970,293 | 27,993 | 235,362 | 154,860 | 1,205,655 |
| **Total** | 149,068 | 1,172,184 | 38,203 | 541,165 | 187,271 | 1,713,349 |

## 11. Trade payables

(a) The composition of this caption is presented below:

| | As of September 30, 2014 S/.(000) | As of December 31, 2013 S/.(000) |
|---|---|---|
| Third parties (b) | 24,808 | 26,669 |
| Provisions for unbilled services but received (c) | 15,693 | 24,997 |
| | 40,501 | 51,666 |

(b) As of September 30, 2014 and December 31, 2013, trade payables mainly comprise the liabilities with contractors for the construction works and/or refurnishing 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.

## 12. Other liabilities

(a) The composition of this caption is presented below:

| | As of September 30, 2014 S/.(000) | As of December 31, 2013 S/.(000) |
|---|---|---|
| Deferred income (b) | 39,672 | 16,329 |
| Interests payable (c) | 16,355 | 6,706 |
| Land purchase (d) | 2,996 | 8,879 |
| Deposits from third parties (e) | 4,104 | 2,255 |
| Workers' profit sharing | 1,375 | 1,732 |
| Taxes payable | 1,229 | 1,129 |
| Other payable | 14,619 | 8,905 |
| | 80,350 | 45,935 |

| | As of September 30, 2014 S/.(000) | As of December 31, 2013 S/.(000) |
|---|---|---|
| **By term:** | | |
| Current | 41,021 | 29,613 |
| Non-current | 39,329 | 16,322 |
| | 80,350 | 45,935 |

(b) The composition of the deferred income caption is presented below:

| | As of September 30, 2014 S/.(000) | As of December 31, 2013 S/.(000) |
|---|---|---|
| Key money (b.1) | 36,165 | 12,767 |
| Advanced rents (b.2) | 3,142 | 3,555 |
| Others | 365 | 7 |
| | 39,672 | 16,329 |

(b.1) As of September 30, 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 nine-month period ended as of September 30, 2014 is as follows:

| | 2014 S/.(000) |
|---|---|
| **Balance as of January 1** | 12,767 |
| Additions | 27,086 |
| Accrued key money | (3,688) |
| **Balance as of September 30,** | 36,165 |

(b.2) As of September 30, 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 interests payable originated by the long-term bank loan subscribed with foreign entities; see Note 14.

(d) As of September 30, 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 September 30, 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.

**13. Financial obligations**

(a) The composition of this caption is presented below:

| Type of obligation | Original currency | Interest rate % | Maturity | Original amount in thousands | As of September 30, 2014 Total S/.(000) | As of September 30, 2014 Current S/.(000) | As of September 30, 2014 Non-current S/.(000) | As of December 31, 2013 Total S/.(000) | As of December 31, 2013 Current S/.(000) | As of December 31, 2013 Non-current S/.(000) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Leasing** | | | | | | | | | | |
| **Related parties** | | | | | | | | | | |
| Banco Internacional del Perú S.A.A – Interbank, Real Plaza San Antonio del Cusco Shopping Mall (b) | S/. | 8.90 | 2026 | 108,300 | 988 | 40 | 948 | 55,715 | 2,454 | 53,261 |
| Banco Internacional del Perú S.A.A – Interbank, purchase of property of Real Plaza Santa Clara Shopping Mall (c) | S/. | 8.25 | 2016 | 7,401 | 1 | 1 | - | 4,068 | 1,664 | 2,404 |
| Banco Internacional del Perú S.A.A – Interbank, purchase of equipment | S/. | 8.25 | 2015 | 588 | - | - | - | 247 | 152 | 95 |
| Banco Internacional del Perú S.A.A – Interbank, purchase of transport units | US$ | 6.45 | 2016 | 35 | 239 | 23 | 216 | 61 | 20 | 41 |
| **Unrelated parties** | | | | | | | | | | |
| Banco de Crédito del Perú S.A., purchase of property of Real Plaza Chiclayo Shopping Mall (d) | S/. | 8.02 | 2019 | 54,748 | 22,289 | 3,968 | 18,321 | 24,629 | 3,393 | 21,236 |
| Banco de Crédito del Perú S.A., enlargement of Section 2A of Real Plaza Chiclayo Shopping Mall (e) | S/. | 7.97 | 2023 | 32,926 | 32,445 | 2,895 | 29,550 | 34,354 | 2,497 | 31,857 |
| Banco de Crédito del Perú S.A., enlargement of Section 2B of Real Plaza Chiclayo Shopping Mall (f) | S/. | 8.06 | 2024 | 20,727 | 20,448 | 1,653 | 18,795 | 21,484 | 1,481 | 20,003 |
| IBM Perú S.A.C. | US$ | 3.10 | 2016 | 100 | 150 | 88 | 62 | 218 | 92 | 126 |
| **Promissory notes** | | | | | | | | | | |
| **Unrelated parties** | | | | | | | | | | |
| Banco de Crédito del Perú S.A., loan for the refurnishing of Real Plaza Primavera Shopping Mall (g) | US$ | 6.60 | 2021 | 12,000 | - | - | - | 27,990 | 3,201 | 24,789 |
| IBM Perú S.A.C. | US$ | 7.45 | 2016 | 86 | 50 | 5 | 45 | 68 | 23 | 45 |
| **Loans from foreign entities** | | | | | | | | | | |
| Deutsche Bank AG (h) | US$ | 8.75 | 2023 | 185,000 | 16,119 | 16,119 | - | 455,032 | - | 455,032 |
| **Notes Issuance (i)** | | | | | | | | | | |
| Foreign currency notes issuance | US$ | 6.50 | 2021 | 350,000 | 866,502 | - | 866,502 | - | - | - |
| Local currency notes issuance | S/. | 7.875 | 2034 | 141,000 | 139,536 | - | 139,536 | - | - | - |
| **Total** | | | | | 1,098,767 | 24,792 | 1,073,975 | 623,866 | 14,977 | 608,889 |

(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 September 30, 2014, the company made a prepayment of S/.107,300,000.

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.

(c) 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.

As of September 30, 2014, Interproperties Holding (SPE) decided to prepay this leasing agreement with Banco Internacional del Perú S.A.A. - Interbank.

(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 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.

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.

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.

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 September 30, 2014 and December 31, 2013, it is already operating; therefore, Interproperties Holding II has recorded the corresponding liabilities at such dates.

(f) 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 September 30, 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.

(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.

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.
- 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.

(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) assets trust and (ii) mortgage guarantee.

As of September 30, 2014, Patrimonio InRetail Shopping Mall decided to make a repurchase of these notes, with de purpose of cancel then on November 2014.

(i) On July 2014, Inretail Shopping Malls (SPE) issued US$ 350,000,000 of a 6.50 percent Senior Note due 2021 and S/.141,000,000 of a 7.875 percent Senior Note due 2,034.

The proceed from both issuance were used in the purchase of Puruchuco land, the purchase of Centro Cívico Shopping Mall, the purchase of Interproperties Holding Notes and the prepayment of local bank debt.

(j) Financial obligations are payable as follows:

| | As of September 30, 2014 S/.(000) | As of December 31, 2013 S/.(000) |
|---|---|---|
| 2014 | 20,535 | 14,977 |
| 2015 | 7,904 | 42,851 |
| 2016 onwards | 1,070,328 | 566,038 |
| | 1,098,767 | 623,866 |

**14. Income Tax**

(a) The Deferred Income Tax assets and liabilities presented in the consolidated statements as September 30, 2014 and December 31, 2013 is detailed as follows:

| | 2014 | | 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 | - | 47,529 | - | 67,111 |
| Patrimonio en Fideicomiso – D.S. N°093-2002-EF-Interproperties Holding II | - | 41,769 | - | 18,189 |
| Patrimonio en Fideicomiso – D.S. N°093-2002-EF-Inretail Shopping Malls | - | (4,857) | | |
| Real Plaza S.R.L. | 177 | - | 177 | - |
| InRetail Properties Management S.R.L | 707 | - | 146 | - |
| **Total** | 884 | 111,035 | 323 | 85,300 |

(b) Following is the detail of the deferred Income Tax asset and liability as of September 30, 2014 and 2013:

| | Balance as of January 1, 2013 S/.(000) | Effect in consolidated statements of comprehensive income S/.(000) | Balance as of September 30, 2013 S/.(000) | Balance as of January 31, 2014 S/.(000) | Effect in consolidated statements of comprehensive income S/.(000) | Adjustment | Balance as of September 30, 2014 S/.(000) |
|---|---|---|---|---|---|---|---|
| **Deferred asset** | | | | | | | |
| Provision for unpaid vacations | 220 | - | 220 | 205 | - | - | 205 |
| Provision for doubtful accounts | 41 | - | 41 | 29 | - | - | 29 |
| Depreciation | 56 | - | 56 | 81 | - | - | 81 |
| Tax loss | - | - | - | - | 561 | - | 561 |
| Others | 14 | - | 14 | 8 | - | - | 8 |
| | 331 | - | 331 | 323 | 561 | - | 884 |
| **Deferred liability, net** | | | | | | | |
| Fair value adjustment for -investment properties | 48,236 | | | 60,971 | 10,367 | 222 | 71,560 |
| Tax depreciation of investment properties | 12,290 | | | 24,026 | 14,340 | - | 38,366 |
| Income Tax attributed to trust participants (c) | 10,101 | | | 303 | (81) | - | 222 |
| Unrealized gain | - | - | - | - | - | 887 | 887 |
| **Deferred liabilities, net** | 70,627 | 2,091 | 72,718 | 85,300 | 24,626 | 1,109 | 111,035 |

(c) The Income Tax expense presented in the consolidated statements of income and other comprehensive income for the nine-month periods ended as of September 30, 2014 and September 30, 2013 is comprised as follows:

| | As of September 30, 2014 S/.(000) | As of September 30, 2013 S/.(000) |
|---|---|---|
| Current | 983 | 1,334 |
| Deferred | 24,065 | 2,091 |
| **Total** | 25,048 | 3,425 |

**15. Commitments**

As of September 30, 2014 and December 31, 2013, correspond to guarantee letters in favor of third parties for approximately S/.15,611,000 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.

**16. Equity**

(a) Capital stock -

As of September 30, 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.

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) |
| **For the nine-month periods ended as of September 30, 2013** | | | |
| **Number as of January 1, 2013** | 505,701 | 270 | 505,701 |
| Capital increase | 62,500 | 227 | 52,546 |
| **Number as of September 30, 2013** | 568,201 | | 558,247 |
| **For the nine-month periods ended as of September 30, 2014** | | | |
| **Number as of January 1, 2014** | 568,201 | 270 | 568,201 |
| **Number as of September 30, 2014** | 568,201 | | 568,201 |

| | As of September 30, 2014 | | |
|---|---|---|---|
| | **Net income (numerator)** S/.(000) | **Shares (denominator)** (000) | **Earnings per share** S/.(000) |
| Basic and diluted earnings per share | 61,876 | 568,201 | 0.1089 |

| | As of September 30, 2013 | | |
|---|---|---|---|
| | **Net income (numerator)** S/.(000) | **Shares (denominator)** (000) | **Earnings per share** S/.(000) |
| Basic and diluted earnings per share | 4,413 | 558,247 | 0.0079 |

**17. Income from real estate service**

(a) The composition of the balance for the nine-month periods ended as of September 30, 2014 and 2013 is presented below:

| | 2014<br>S/.(000) | 2013<br>S/.(000) |
|---|---|---|
| **Rental income** | | |
| Rental income (b) | 144,859 | 88,483 |
| Rent of space for publicity | 3,688 | 1,632 |
| Key money | 7,959 | 1,380 |
| | 156,506 | 91,495 |
| **Income from management services** | | |
| Common expenses (c) | 35,041 | 21,766 |
| Electricity and water (d) | 26,310 | 18,055 |
| Promotion and advertisement fund (e) | 8,603 | 7,288 |
| Advisory and supervision | 6,510 | 6,626 |
| Negotiations of land and buildings | 316 | 3,579 |
| Other | 6,453 | 2,488 |
| | 83,233 | 59,802 |
| | 239,739 | 151,297 |

(b) As of September 30, 2014 and 2013, corresponds to rental income from the economic exploitation of the "Real Plaza" Shopping Malls.

For the nine-months period ended as of September 30, 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<br>S/.(000) | 2013<br>S/.(000) |
|---|---|---|
| Fixed rental income | 131,558 | 76,965 |
| Variable rental income | 13,301 | 11,518 |
| | 144,859 | 88,483 |

(c) 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.

(d) Corresponds to income from electricity and water that are assumed by the Company and are then billed to every tenant of 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.

**18. Operating costs**

(a) The composition of this caption for the nine-month periods ended as of September 30, 2014 and 2013 is presented below:

| | 2014<br>S/.(000) | 2013<br>S/.(000) |
|---|---|---|
| **Cost of rental income** | | |
| Property Tax and duties | 6,750 | 3,779 |
| Landlord leases (b) | 4,911 | 3,188 |
| Property insurance costs | 2,374 | 1,510 |
| Others | 382 | - |
| | 14,417 | 8,477 |
| **Cost related to income from management services** | | |
| Electricity and water | 26,107 | 15,750 |
| Personnel expenses | 12,358 | 11,172 |
| Advertising and marketing | 12,051 | 6,541 |
| Cleaning | 5,553 | 3,333 |
| Safety services | 5,005 | 4,072 |
| Maintenance and administration of parking lot | 3,655 | 1,323 |
| Parking | 3,043 | 1,205 |
| Leases, professional fees and communications | 1,412 | 1,084 |
| Other costs | 1,039 | 1,252 |
| | 70,223 | 45,732 |

(b) Correspond to the leases of land over which Interproperties Holding and Interproperties Holding II have built or have a shopping mall under construction.

**19. Selling and administrative expenses**

(a) The composition of this caption for the nine-month periods ended as of September 30, 2014 and 2013 is presented below:

| | 2014<br>S/.(000) | 2013<br>S/.(000) |
|---|---|---|
| Administrative expenses | 16,642 | 17,863 |
| Selling expenses | 5,329 | 4,143 |
| | 21,971 | 22,006 |

(b) The components of operating expenses included in the selling and administrative expenses captions are presented below:

| | For the nine–month periods ended as of September 30,2014 | | |
|---|---|---|---|
| | Administrative expenses S/.(000) | Sales expenses S/.(000) | Total S/.(000) |
| Personnel expenses | 10,775 | 3,368 | 14,143 |
| Professional fees | 1,240 | - | 1,240 |
| Depreciation | 877 | - | 877 |
| Amortization | 67 | - | 67 |
| Allowance for doubtful accounts | - | 1,437 | 1,437 |
| Other expenses | 3,683 | 524 | 4,207 |
| | 16,642 | 5,329 | 21,971 |

| | For the nine–month periods ended as of September 30,2013 | | |
|---|---|---|---|
| | Administrative expenses S/.(000) | Sales expenses S/.(000) | Total S/.(000) |
| Personnel expenses | 9,648 | 2,820 | 12,468 |
| Professional fees | 1,145 | - | 1,145 |
| Depreciation | 581 | - | 581 |
| Amortization | 53 | - | 53 |
| Allowance for doubtful accounts | - | 498 | 498 |
| Other expenses | 6,436 | 825 | 7,261 |
| | 17,863 | 4,143 | 22,006 |

## 20. 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.

## 21. Financial income and expenses

The composition of this caption for the nine-month periods ended as of September 30, 2014 and 2013 is presented below:

| | 2014 S/.(000) | 2013 S/.(000) |
|---|---|---|
| **Income** | | |
| Gain from valuation of financial instrument | 5,024 | 4,979 |
| Interests on deposits | 1,364 | 3,548 |
| Interests from granted loan | 956 | 2,898 |
| Others | 13 | 1,187 |
| | 7,357 | 12,612 |
| **Expenses** | | |
| Interest long-term bank loan | (40,064) | (33,241) |
| Leasing - Real Plaza San Antonio del Cusco | (4,884) | - |
| Leasing – Real Plaza Chiclayo | (4,868) | (4,066) |
| Promissory notes – Real Plaza Primavera | (1,188) | (1,387) |
| Debt structuring expenses | (4,478) | (1,083) |
| Loss on sale of financial instruments | (1,496) | (1,588) |
| Leasing - Real Plaza Santa Clara | (211) | (299) |
| Interest on debt issuance (i) | - | (5,881) |
| Other financial expenses | (2,076) | (1,120) |
| | (59,265) | (48,665) |

(i) 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.

## 22. 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 September 30, 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 September 30, 2014 and December 31, 2013..

(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 September 30, 2014 and December 2013.

**23. Transactions with related companies**

(a) As result of transactions with related parties, InRetail Real Estate presents the following balances in the consolidated statements of financial position as of September 30, 2014 and December 31, 2013:

| | 2014<br>S/.(000) | 2013<br>S/.(000) |
|---|---|---|
| **Trade and other receivable** | | |
| Intercorp Perú Ltd. (b) | - | 24,394 |
| Supermercados Peruanos S.A. | 30,187 | 14,464 |
| Tiendas Peruanas S.A | 12,112 | 1,638 |
| Home Centers | 9,877 | 27,779 |
| Inmobiliaria Puerta del Sol S.A. | 1,969 | 2,047 |
| Banco Internacional del Perú S.A.A.-Interbank | 813 | 409 |
| Cineplex S.A. | 1,576 | 332 |
| Bembos | 569 | 110 |
| Eckerd Perú S.A. | 22,157 | 49 |
| Interseguro Compañía de Seguros S.A. | - | 1,344 |
| Urbi Propiedades S.A. | - | - |
| Other related companies | 4,511 | 2,147 |
| | 83,771 | 74,713 |
| **Trade and other payable** | | |
| Interseguro Compañía de Seguros S.A. | 1,067 | 510 |
| Supermercados Peruanos S.A. | 202 | 235 |
| Tiendas Peruanas S.A | - | 137 |
| Cineplex S.A. | - | 27 |
| Other related companies | 538 | 337 |
| | 1,807 | 1,246 |
| **Financial obligations** | | |
| Leasing | | |
| Banco Internacional del Perú S.A.A.-Interbank | 1,224 | 60,091 |

(b) As of December 31, 2013, 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. This loan was collected on May 2014.

(c) As of September 30, 2014, 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/.25,578,000 and S/.39,877,000, respectively.

(d) 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.

**24. 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.

The sensitivity analysis shown in the following section relates to the position as of September 30, 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 September 30, 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.

(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 September 30, 2014 and December 31, 2013, assets and liabilities by currency were the following (expressed in US$ dollars):

| | As of September 30, 2014 US$(000) | As of December 31, 2013 US$(000) |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalent | 987 | 1,374 |
| Trade receivables | 206 | 920 |
| Other receivables | 346 | 4,607 |
| Accounts receivable from related parties | 2,631 | 198 |
| | 4,170 | 7,099 |
| **Liabilities** | | |
| Trade payable | (212) | 205 |
| Accounts payable from related parties | (31) | 168 |
| Other liabilities | (6,644) | 622 |
| Financial obligations | (304,498) | 209,270 |
| | (311,385) | 210,265 |
| **Net liability position** | (307,215) | (203,166) |

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 September 30, 2014, the market weighted average exchange rate for transactions in US dollars was S/.2.888 per US$1.00 bid and S/.2.892 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 nine-months period ended as of September 30, 2014, InRetail Real Estate has incurred into a net loss for exchange difference of approximately S/.29,082,000 (S/.47,308,000 as of September 30, 2013), which is presented in the caption “Exchange difference, net” the consolidated statements of income and other comprehensive income.

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 September 30, 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 September 30, 2014 | As of December 31, 2013 |
|---|---|---|---|
| | % | S/.(000) | S/.(000) |
| Devaluation - | | | |
| US dollars | 5 | 44,424 | 28,403 |
| US dollars | 10 | 88,848 | 56,807 |
| Revaluation - | | | |
| US dollars | 5 | (44,424) | (28,403) |
| US dollars | 10 | (88,848) | (56,807) |

(b) Credit risk –

It is the risk that 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. 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.

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 September 30, 2014 and December 31, 2013, is the book value of the balances of cash and cash equivalent.

(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.

It is the possibility of losses due to the changes or the volatility of the market prices of market of properties.

**25. 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.

**26. Subsequent events**

From the September 30, 2014 until the date of the present report, there has not been any significant event affecting the interim consolidated financial statements.