



EARNINGS REPORT 4TH QUARTER 2017

February 28th, 2018

This management discussion and analysis should be used in combination with Q4'17 financial statements prepared for:

- InRetail Perú Corp.
- InRetail Consumer
- InRetail Shopping Malls

The above mentioned financial statements can be downloaded from our website: www.inretail.pe

INDEX

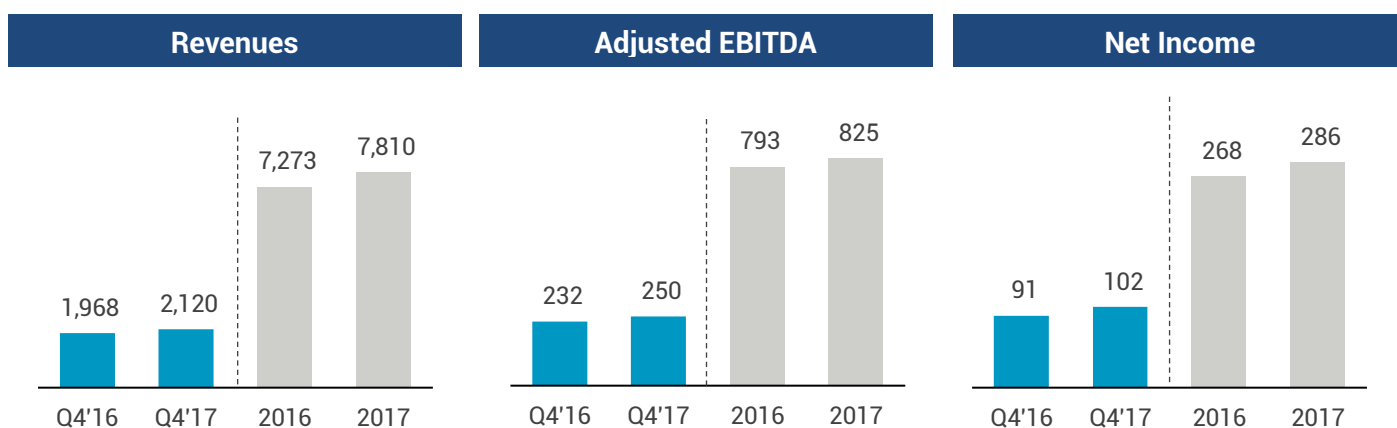
- I. Highlights for the Fourth Quarter 20173
- II. Consolidated Financial Statements.....5
- III. Results Analysis.....7
- IV. Key Indicators19

I. HIGHLIGHTS FOR THE FOURTH QUARTER 2017



InRetail Peru Consolidated

- Consolidated Revenues of S/ 2,120 million, a 7.7% growth over Q4'16
- Adjusted EBITDA of S/ 250 million, a 7.7% growth over Q4'16
- Adjusted EBITDA margin of 11.8%, in line with Q4'16
- Consolidated Net Income of S/ 102 million, a growth of 11.9% over Q4'16
- Net Income margin of 4.8%, compared to 4.6% in Q4'16



InRetail Consumer

- Consolidated Revenues of S/ 2,002 million, an 8.1% growth over Q4'16
- Adjusted EBITDA of S/ 170 million, an 8.0% growth over Q4'16
- Adjusted EBITDA margin of 8.5%, in line with Q4'16

Supermarkets

- Revenues of S/ 1,300 million, a 10.2% growth over Q4'16
- Same store sales growth of 6.0% in Q4'17
- Adjusted EBITDA of S/ 110 million, a 12.2% growth over Q4'16
- Adjusted EBITDA margin of 8.4%, compared to 8.3% in Q4'16
- Increased supermarkets' sales area by 5k sqm (a 1.6% increase, 1.2% net of closings) since Q4'16
- +102 net additional Mass stores since Q4'16

Pharmacies

- Revenues of S/ 705 million, a 4.3% growth over Q4'16
- Negative same store sales of 1.2% in Q4'17
- Adjusted EBITDA of S/ 62 million, a 0.6% increase over Q4'16
- Adjusted EBITDA margin of 8.7%, compared to 9.1% in Q4'16
- 7 stores opened in Q4'17 and 9 stores closed, totaling 46 additional pharmacies since Q4'16 (a 4.2% increase)

InRetail Shopping Malls

- Revenues of S/ 129 million, a 3.2% growth over Q4'16
- Tenants' same stores sales was 1.8% in Q4'17
- Adjusted EBITDA of S/ 82 million, a 9.3% increase over Q4'16
- Net Rental Margin of 83.4%, compared to 80.1% in Q4'16

INRETAIL PERU AT A GLANCE

	Supermarkets	Pharmacies	Shopping Malls	
2017 (S/ millions)				
Revenues ¹	4,652	2,734	476	7,810
% of Revenues	59.2%	34.8%	6.1%	
Adjusted EBITDA ²	310	231	294	825
Adj. EBITDA Margin ³	6.7%	8.4%	80.9%	10.6%
% of Adj. EBITDA	37.1%	27.6%	35.3%	
# Stores / S.Malls	268	1,153	19	
Sales area / GLA ⁴	327,226 sqm	N/A	632,910 sqm	
# Employees	14,590	11,451	439	~ 26,480

¹ Revenues net of intercompany eliminations.

² 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 and intercompany eliminations.

³ InRetail Shopping Malls' Adjusted EBITDA Margin is calculated as EBITDA/Net Rental Income. Net Rental Income is defined as total income minus reimbursable operating costs related to the maintenance and management of shopping malls.

⁴ Excludes 2 managed properties; total 21 (670,393 sqm GLA).

II. CONSOLIDATED FINANCIAL STATEMENTS



Consolidated Income Statement

Fourth quarter of 2017, compared to the fourth quarter of 2016 (audited)

Twelve months ended December 2017, compared to twelve months ended December 2016

InRetail Peru Corp Consolidated Income Statement

In Millions (\$/)	Fourth Quarter			For the twelve months ended December 31		
	2017	2016	Change %	2017	2016	Change %
Revenues:						
InRetail Consumer	2,002	1,852	8.1%	7,374	6,853	7.6%
Supermarkets	1,300	1,179	10.2%	4,652	4,241	9.7%
Pharmacies	705	676	4.3%	2,734	2,624	4.2%
InRetail Shopping Malls	129	125	3.2%	476	458	3.9%
Total revenues	2,120	1,968	7.7%	7,810	7,273	7.4%
Cost of sales:						
InRetail Consumer	-1,419	-1,303	8.9%	-5,258	-4,878	7.8%
Supermarkets	-948	-853	11.1%	-3,425	-3,111	10.1%
Pharmacies	-471	-449	4.8%	-1,833	-1,767	3.7%
InRetail Shopping Malls	-42	-41	2.1%	-157	-143	9.7%
Total cost of sales	-1,461	-1,342	8.9%	-5,416	-5,019	7.9%
Gross profit:						
InRetail Consumer	583	550	6.0%	2,116	1,975	7.1%
Supermarkets	352	326	8.0%	1,227	1,130	8.6%
Pharmacies	234	227	3.1%	901	857	5.1%
InRetail Shopping Malls	87	84	3.7%	319	315	1.3%
Total gross profit	658	626	5.3%	2,394	2,254	6.2%
Selling and administrative expenses	-463	-442	4.8%	-1,767	-1,649	7.2%
Other operating income (expenses), net	23	10	144.7%	39	29	31.5%
Operating profit	219	193	13.2%	665	634	4.9%
Financial income (expenses), net	-52	-48	9.9%	-192	-206	-7.0%
Income tax expense	-64	-54	18.4%	-187	-160	17.3%
Net income	102	91	11.9%	286	268	6.7%

Consolidated Statement of Financial Position

As of December 31, 2017 and December 31, 2016 (audited)

InRetail Peru Corp Consolidated Statement of Financial Position In Millions (S/)	As of December 31, 2017	As of December 31, 2016
Assets		
Cash and short-term deposits	280	244
Investments at fair value through profit or loss	289	159
Inventories, net	1,003	979
Available-for-sale investment	30	30
Other current assets	277	271
Property, furniture and equipment	2,723	2,548
Investment properties	2,870	2,688
Intangible assets	1,197	1,194
Other non current assets	129	197
Total assets	8,798	8,309
Liabilities		
Short- term debt	172	189
Other short-term liabilities	1,986	1,898
Long-term debt	2,532	2,470
Other long-term liabilities	449	379
Total liabilities	5,139	4,935
Net equity attributable to controlling shareholders	3,660	3,374
Total net equity and liabilities	8,798	8,309

Consolidated Statement of Cash flows

Twelve months ended December 31, 2017 and December 31, 2016 (audited)

InRetail Peru Corp Consolidated Statement of Cash Flows In Millions (S/)	For the twelve months ended December 31	
	2017	2016
Net cash flows from operating activities	814	884
Net cash flows used in investing activities	-543	-607
Net cash flows used in financing activities	-234	-268
Net (decrease) increase of cash and short-term deposits	37	9
Cash and short-term deposits at the beginning of the period	244	235
Cash and short-term deposits at the end of the period	280	244

III. RESULTS ANALYSIS



The following analysis compares **InRetail Peru's** results for the fourth quarter of 2017 with the same period in 2016, and the results for the twelve months ended December 2017 with the twelve months ended December 2016.

Intercompany transactions are eliminated upon consolidation of our financial statements. The consolidation adjustments caption represents the amount adjusted to the subsidiaries' financial statements in order to show them as a consolidated entity instead of separate business units.

In the following pages, we will comment on the different lines of the Consolidated Income Statement, starting with a consolidated view of **InRetail Peru** and further explaining the **Consumer** and **Shopping Malls'** segments with individual clarifications for Supermarkets and Pharmacies.

Revenues

InRetail Peru's revenues grew S/ 152 million, or 7.7% in the fourth quarter of 2017, compared to the same period in 2016, due to same store sales growth and new store openings. InRetail Peru's revenues were S/ 7,810 million in 2017, a 7.4% increase over 2016.

InRetail Consumer's revenues grew S/ 149 million, or 8.1% in the fourth quarter of 2017, compared to the same period in 2016. InRetail Consumer's revenues were S/ 7,374 million in 2017, a 7.6% increase over 2016.

- **Supermarkets'** revenues grew S/ 121 million, or 10.2% in the fourth quarter of 2017, compared to the same period in 2016. This growth is mainly explained by a solid SSS growth of 6.0%, an increase of 5k sqm of additional supermarkets sales area since Q4'16, (1.6% increase over the same period), and the opening of 102 Mass stores since Q4'16. Despite the continued slow consumer environment, our Every-Day-Low-Price ("EDLP") strategy continues to have a positive effect on SSS and our Mass format is performing in line with expectations. Revenues were S/ 4,652 million in 2017, a 9.7% increase over 2016, with a same store sales growth of 5.9%.
- **Pharmacies'** revenues grew S/ 29 million, or 4.3% in the fourth quarter of 2017, compared to the same period in 2016 due to 46 additional net stores since Q4'16 despite a negative SSS growth of 1.2%. SSS continue to be affected by the slower consumption nationwide, but have been gradually recovering from the temporal oversupply due to the significant number of stores opened in 2016. Revenues were S/ 2,734 million in 2017, a 4.2% increase over 2016, with negative same store sales of 3.6%.

InRetail Shopping Malls' revenues grew S/ 4 million, or 3.2% in the fourth quarter of 2017, compared to the same period in 2016, mainly due to 7k sqm of additional GLA since Q4'16 and inflation-related adjustments to fixed rent. The company continues to remodel and improve its tenant offer in mature malls. InRetail Shopping Mall's revenues were S/ 476 million in 2017, an increase of 3.9% over 2016.

Net rental income is defined as total income minus reimbursable operating costs related to the maintenance and management of shopping malls. These operating costs are billed directly to tenants and are also reported as "Income from rendering of services". InRetail Shopping Malls' net rental income increased from S/ 94 million in the fourth quarter of 2016 to S/ 99 million in the same period of 2017 (a 4.9% growth). Net rental income increased from S/ 349 million in 2016, to S/ 364 million in 2017 (a 4.3% growth).

Cost of Sales

InRetail Peru's cost of sales grew S/ 119 million, or 8.9% in the fourth quarter of 2017, compared to the same period in 2016. InRetail Peru's cost of sales was S/ 5,416 million in 2017, an increase of 7.9% over 2016.

InRetail Consumer's cost of sales grew S/ 116 million, or 8.9% in the fourth quarter of 2017, compared to the same period in 2016. InRetail Consumer's cost of sales was S/ 5,258 million in 2017, a 7.8% increase over 2016.

- **Supermarkets'** cost of sales grew S/ 95 million, or 11.1% in the fourth quarter of 2017, compared to the same period in 2016. This increase was slightly above revenues growth due to the EDLP strategy. Supermarkets' cost of sales was S/ 3,425 million, an increase of 10.1% over 2016.
- **Pharmacies'** cost of sales grew S/ 22 million, or 4.8% in the fourth quarter of 2017, compared to the same period in 2016. This growth was above revenues mainly due to the reinforcement of our EDLP strategy. Pharmacies' cost of sales was S/ 1,833 million in 2017, an increase of 3.7% over 2016.

InRetail Shopping Malls' cost of sales increased S/ 1 million, or 2.1% in the fourth quarter of 2017, compared to the same period in 2016 mainly explained by higher rent expenses coming from Real Plaza Salaverry, which began to pay variable rent in December 2016. For 2017, InRetail Shopping Malls' cost of sales was S/ 157 million, an increase of 9.7% over 2016.

Gross Profit

InRetail Peru's gross profit grew S/ 33 million, or 5.3% in the fourth quarter of 2017, compared to the same period in 2016. For 2017, InRetail Peru's gross profit was S/ 2,394 million, an increase of 6.2% over 2016.

InRetail Peru's gross margin (gross profit as a percentage of revenues) decreased to 31.1% in the fourth quarter of 2017 from 31.8% in the same period of 2016. In 2017, the gross margin decreased to 30.7% from 31.0% in the previous year.

InRetail Consumer's gross profit grew S/ 33 million, or 6.0% in the fourth quarter of 2017, compared to the same period in 2016. InRetail Consumer's gross profit in 2017 was S/ 2,116 million, an increase of 7.1% over 2016.

InRetail Consumer's gross margin was 29.1% compared to 29.7% in the same period of the previous year. In 2017, the gross margin was 28.7%, slightly below 28.8% in 2016.

- **Supermarkets'** gross profit increased S/ 26 million, or 8.0% in the fourth quarter of 2017, compared to the same period in 2016. Gross margin in Q4'17 was 27.1%, lower than the 27.7% in the same period in 2016 partially explained by the EDLP strategy. The gross profit and the gross margin in 2017 were S/ 1,227 million and 26.4%, respectively, compared to S/ 1,130 million and 26.7% in 2016 due to the EDLP strategy, as explained before.
- **Pharmacies'** gross profit grew S/ 7 million, or 3.1% in the fourth quarter of 2017 compared to the same period in 2016. Gross margin decreased from 33.6% in the fourth quarter of 2016 to 33.2% in the same period in 2017, mainly due to the reinforcement of our EDLP strategy. The gross profit and the gross margin in 2017, were S/ 901 million and 33.0%, respectively, compared to S/ 857 million and 32.7% for 2016.

InRetail Shopping Malls' gross profit grew S/ 3 million, or 3.7% in the fourth quarter of 2017 compared to the same period in 2016. Gross margin increased from 67.0% in the fourth quarter of 2016 to 67.4% in the same period in 2017, mainly due to the increase in rental income. In 2017, the gross profit and the gross margin were S/ 319 million and 67.0%, respectively, compared to S/ 315 million and 68.8% for the same period in 2016. The reduction in margin was mainly because of the variable rent from Salaverry, which began in December 2016.

Selling and Administrative Expenses

The following table sets forth **InRetail Peru's** selling and administrative expenses for the fourth quarter of 2017 and 2016, and the twelve months ended December 2017 and 2016:

InRetail Peru Corp Selling and Administrative expenses	Fourth Quarter			For the twelve months ended December 31		
	2017	2016	Change %	2017	2016	Change %
In Millions (S/)						
InRetail Consumer:	459	437	4.8%	1,759	1,642	7.1%
Supermarkets	278	264	4.9%	1,055	997	5.8%
Pharmacies	184	175	4.7%	713	655	8.9%
InRetail Shopping Malls:	11	9	19.2%	36	33	11.5%
Total selling and administrative expenses	463	442	4.8%	1,767	1,649	7.2%

InRetail Peru's selling and administrative expenses grew S/ 21 million, or 4.8% in the fourth quarter of 2017 compared to the same period in 2016. As a percentage of revenues, selling and administrative expenses were 21.8% in the fourth quarter of 2017, compared to 22.4% in the same period in 2016.

For 2017, InRetail Peru's selling and administrative expenses were S/ 1,767 million, 7.2% higher than 2016. As a percentage of revenues, selling and administrative expenses were 22.6% in 2017 compared to 22.7% in 2016.

InRetail Consumer's selling and administrative expenses grew S/ 21 million, or 4.8% in the fourth quarter of 2017 compared to the same period in 2016. As a percentage of revenues, selling and administrative expenses were 22.9% in the fourth quarter of 2017, compared to 23.6% in the same period of 2016.

InRetail Consumer's selling and administrative expenses in 2017 were S/ 1,759 million, 7.1% higher than 2016. As a percentage of revenues, selling and administrative expenses in 2017 were 23.8%, compared to 24.0% over 2016.

- **Supermarkets'** selling and administrative expenses increased S/ 13 million, or 4.9% in the fourth quarter of 2017 compared to the same period in 2016. As a percentage of supermarket revenues, selling and administrative expenses decreased from 22.4% in the fourth quarter of 2016 to 21.4% in the same period of 2017, mainly explained by dilution of fixed costs and the company's efforts to reduce operational store expenses. In 2017, selling and administrative expenses were S/ 1,055 million, an increase of 5.8% over 2016. As a percentage of revenues, these expenses decreased from 23.5% to 22.7%.
- **Pharmacies'** selling and administrative expenses grew S/ 8 million, or 4.7% in the fourth quarter of 2017 compared to the same period in 2016. As a percentage of revenues, selling and administrative expenses slightly increased from 25.9% to 26.0%, due to an increase in operational expenses from the significant number of new stores in early stages of operation, therefore the lower fixed cost dilution of existing stores. This was offset by the reduction of operational expenses in stores. In 2017, selling and administrative expenses were S/ 713 million, an increase of 8.9% over 2016. As a percentage of revenues, these expenses increased from 24.9% to 26.1%.
- **InRetail Shopping Malls'** selling and administrative expenses in the fourth quarter of 2017 increased S/ 2 million, or 19.2% compared to the same period in 2016. As a

percentage of revenues, selling and administrative expenses were 8.6% in the fourth quarter of 2017, compared to 7.4% in the same period in 2016. For 2017, InRetail Shopping Mall's selling and administrative expenses were S/ 36 million, an increase of 11.5% over 2016. As a percentage of revenues, these expenses increased from 7.1% to 7.6%.

Other Operating Income (Expenses), Net

InRetail Peru's other operating income (expenses), net, resulted in an income of S/ 23 million in the fourth quarter of 2017, higher than S/ 10 million in the same period in 2016. For 2017, InRetail Peru's other operating income (expenses), net, resulted in an income of S/ 39 million, compared to an income of S/ 29 million in 2016.

InRetail Consumer's other operating income (expenses), net, resulted in an income of S/ 8 million in the fourth quarter of 2017, higher than S/ 5 million in the same period of 2016. In 2017, InRetail Consumer's other operating income (expenses), net, resulted in an income of S/ 17 million, compared to an income of S/ 23 million in 2016.

- **Supermarkets'** other operating income (expenses), net, resulted in an income of S/ 10 million in the fourth quarter of 2017 compared to an income of S/ 6 million in the same period in 2016. Other operating income includes S/ 1 million from the net income of the JV with Financiera Oh!, in comparison to S/ 8 million in the same period of 2016. In 2017, Supermarkets' other operating income (expenses), net, resulted in an income of S/ 22 million, lower than S/ 25 million in 2016. This includes S/ 19 million of income from the JV as of December 2017 compared to S/ 21 million in 2016.
- **Pharmacies'** other operating income (expenses), net, resulted in an expense of S/ 2 million in the fourth quarter of 2017, compared to an expense of S/ 1 million in the same period of 2016. In 2017, Pharmacies' other operating income (expenses), net, resulted in an expense of S/ 5 million, compared to an expense of S/ 1 million in 2016.

In **InRetail Shopping Malls**, other operating income is generated primarily by increases in the fair value of investment properties, determined in accordance with IFRS. In the fourth quarter of 2017, other operating income from marking the investment properties to market was S/ 6 million compared to S/ 3 million in the same period of 2016, mainly explained by mall expansions and minor adjustments to the valuations of our current malls. For 2017, InRetail Shopping Mall's other operating income from marking the investment properties to market was S/ 11 million, in line with 2016. Other operating income in the fourth quarter of 2017 was S/ 12 million compared to S/ 3 million in the same period of 2016, which includes the sale of an adjacent portion of land at one of our shopping malls. Other operating income for 2017 was S/ 19 million compared to S/ 12 million in 2016.

Operating Profit

The following table sets forth **InRetail Peru's** operating profit for the fourth quarter of 2017 and 2016 and the twelve months ended December 2017 and 2016:

InRetail Peru Corp Operating Profit	Fourth Quarter			For the twelve months ended December 31		
	2017	2016	Change %	2017	2016	Change %
In Millions (S/)						
InRetail Consumer	132	117	12.4%	375	357	5.1%
Supermarkets	85	68	25.3%	194	158	23.0%
Pharmacies	48	51	-5.1%	184	202	-8.9%
InRetail Shopping Malls	87	77	13.7%	302	294	2.8%
Total operating profit	219	193	13.2%	665	634	4.9%

InRetail Peru's operating profit increased S/ 26 million, or 13.2%, in the fourth quarter of 2017 compared to the same period in 2016. Operating margin increased to 10.3% in the fourth quarter of 2017 from 9.8% in the same period in 2016. For 2017, InRetail Peru's operating profit reached S/ 665 million, 4.9% higher than the same period in 2016. InRetail Peru's operating margin was 8.5% in 2017, compared to 8.7% in 2016.

InRetail Consumer's operating profit increased S/ 15 million, or 12.4% in the fourth quarter of 2017 compared to the same period in 2016. Operating margin increased in the fourth quarter of 2017 in comparison to the same period in 2016, from 6.3% to 6.6%. In 2017, InRetail Consumer's operating profit reached S/ 375 million, a 5.1% increase since 2016. InRetail Consumer's operating margin in 2017 was 5.1% compared to 5.2% in 2016.

- **Supermarkets'** operating profit increased S/ 17 million, or 25.3% in the fourth quarter of 2017 compared to the same period in 2016. Operating margin was 6.5% in the fourth quarter of 2017, an increase from 5.7% in the same period of 2016, mainly due to fixed cost dilutions and efficiencies. In 2017, Supermarkets' operating profit and operating margin were S/ 194 million and 4.2%, respectively, compared to S/ 158 million and 3.7% in 2016.
- **Pharmacies'** operating profit decreased S/ 3 million, or 5.1% in the fourth quarter of 2017 compared to the same period in 2016. Operating margin decreased to 6.8% in the fourth quarter of 2017 from 7.5% in the same period in 2016, mainly due to higher SG&A from the significant number of new stores in early stages of operation. In 2017, Pharmacies' operating profit and operating margin were S/ 184 million and 6.7%, respectively, compared to S/ 202 million and 7.7% over 2016.

InRetail Shopping Malls' operating profit increased S/ 11 million, or 13.7% in the fourth quarter of 2017 compared to the same period in 2016. Operating margin was 67.9% in the fourth quarter of 2017 compared to 61.7% in the same period in 2016. This is mainly explained by the sale of an adjacent portion of land, as explained before. For 2017, InRetail Shopping Malls' operating profit and operating margin were S/ 302 million and 63.4%, respectively, compared to S/ 294 million and 64.1% over 2016.

Financial Income (Expenses), Net

InRetail Peru's net financial expenses resulted in S/ 52 million in the fourth quarter of 2017, compared to net financial expenses of S/ 48 million in the same period of 2016. This increase is mainly explained by a lower FX income of S/ 3 million in the fourth quarter of 2017 in comparison to an FX income of S/ 7 million in the same period of 2016.

For 2017, InRetail Peru registered a net financial expense of S/ 192 million, compared to a net financial expense of S/ 206 million in 2016. This decrease is explained by a higher FX gain of S/ 17 million for 2017 in comparison to an FX gain of S/ 11 million in 2016. This is also explained by a decrease in financial expenses related to InRetail Peru's debt from S/ 218 million in 2016 to S/ 209 million in 2017, mainly due to the PEN appreciation.

InRetail Consumer's net financial expenses were S/ 27 million in the fourth quarter of 2017, compared to net financial expenses of S/ 23 million in the same period of 2016. This increase is mainly explained by a lower FX gain of S/ 1 million in comparison to an FX gain of S/ 4 million in the same period of 2016.

In 2017, InRetail Consumer registered a net financial expense of S/ 86 million, compared to S/ 97 million in 2016. This is explained by a decrease in InRetail Consumer's financial expenses from S/ 104 million in 2016 to S/ 95 million in 2017, mainly due to the PEN appreciation.

InRetail Shopping Malls' net financial expenses were S/ 25 million in the fourth quarter of 2017, in line with same period of 2016.

For 2017, InRetail Shopping Malls registered a net financial expense of S/ 99 million, compared to a net financial expense of S/ 110 million in 2016. This is explained by a reduction in financial expenses related to InRetail Shopping Malls' from S/ 114 million in 2016 to S/ 107 million in 2017, mainly due to the PEN appreciation.

Income Tax

Income tax is calculated over profit from sales and rental revenues in our segments, as well as over capital gains from realized gains or losses in the value of investment properties.

InRetail Peru registered an income tax expense of S/ 64 million in the fourth quarter of 2017 compared to S/ 54 million in the same period in 2016. The higher income tax expense in the fourth quarter of 2017 is mainly explained by a higher statutory corporate tax rate as of January 2017 (29.5% compared to 28.0% in 2016) as well as higher earnings in Q4'17 versus Q4'16. Additionally, the total tax expense includes S/ 16 million of deferred tax related to InRetail Shopping Malls.

For 2017, income tax expense amounted to S/ 187 million, an increase of S/ 28 million or 17.3% compared with 2016. This amount includes S/ 45 million of deferred tax related to InRetail Shopping Malls.

Net Income

InRetail Peru registered a net income of S/ 102 million in the fourth quarter of 2017 compared to a net income of S/ 91 million in the same period in 2016. Net margin (net income as a percentage of revenues) increased from 4.6% in the fourth quarter of 2016 to 4.8% in the same period of 2017.

InRetail Peru's net income was S/ 286 million in 2017, compared to a net income of S/ 268 million in 2016. In 2017, net margin was 3.7%, in line with 2016.

Adjusted EBITDA¹

The following table sets forth **InRetail Peru's** adjusted EBITDA¹ for the fourth quarter of 2017 and 2016 and the twelve months ended December 2017 and 2016:

InRetail Peru Corp Adjusted EBITDA	Fourth Quarter			For the twelve months ended December 31		
	2017	2016	Change %	2017	2016	Change %
In Millions (S/)						
InRetail Consumer:	170	158	8.0%	537	515	4.4%
Supermarkets	110	98	12.2%	310	277	11.8%
Pharmacies	62	61	0.6%	231	241	-4.5%
InRetail Shopping Malls	82	75	9.3%	294	286	2.8%
Adjusted EBITDA	250	232	7.7%	825	793	4.0%

¹ We define Adjusted EBITDA as operating profit, plus depreciation and amortization, less the impact of marking to market the values of our investment properties.

InRetail Peru's adjusted EBITDA increased S/ 18 million, or 7.7% in the fourth quarter of 2017 compared to the same period in 2016. Adjusted EBITDA margin (adjusted EBITDA as a percentage of revenues) was 11.8% in the fourth quarter of 2017, in line with the same period in 2016. InRetail Peru's adjusted EBITDA amounted to S/ 825 million in 2017, an increase of 4.0% over 2016. Adjusted EBITDA margin decreased from 10.9% in 2016 to 10.6% in 2017.

InRetail Consumer's adjusted EBITDA increased S/ 13 million, or 8.0% in the fourth quarter of 2017 compared to the same period in 2016. Adjusted EBITDA margin was 8.5%, in line with the same period in 2016. In 2017, InRetail Consumer's adjusted EBITDA amounted to S/ 537 million, an increase of 4.4% over 2016. Adjusted EBITDA margin decreased from 7.5% in 2016 to 7.3% in 2017.

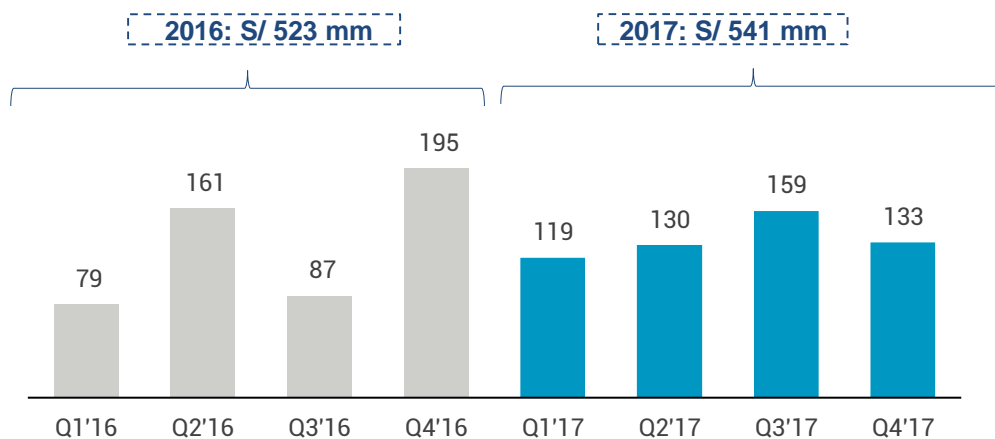
- **Supermarkets'** adjusted EBITDA increased S/ 12 million, or 12.2% in the fourth quarter of 2017 compared to the same period in 2016. The adjusted EBITDA margin increased from 8.3% in the fourth quarter of 2016 to 8.4% in the same period of 2017, mainly explained by fixed cost dilutions and efficiencies, as explained before. In 2017, Supermarkets' adjusted EBITDA amounted to S/ 310 million, an increase of 11.8% over 2016. Adjusted EBITDA margin increased from 6.5% in 2016 to 6.7% in 2017.
- **Pharmacies'** adjusted EBITDA increased S/ 0.34 million, or 0.6% in the fourth quarter of 2017 compared to the same period in 2016, and the adjusted EBITDA margin decreased from 9.1% in the fourth quarter of 2016 to 8.7% in the same period of 2017. This is mainly explained by the contraction in the operating margin, as explained before. In 2017, Pharmacies' adjusted EBITDA amounted to S/ 231 million, a decrease of 4.5% over 2016. Adjusted EBITDA margin decreased from 9.2% in 2016 to 8.4% in 2017.

InRetail Shopping Malls' adjusted EBITDA increased S/ 7 million, or 9.3% in the fourth quarter of 2017 compared to the same period in 2016. Adjusted EBITDA margin increased from 60.4% in the fourth quarter of 2016 to 63.9% in the same period in 2017, due to an extraordinary income. For 2017, InRetail Shopping Malls' adjusted EBITDA amounted to S/ 294 million, an increase of 2.8% over 2016. The adjusted EBITDA margin decreased from 62.5% in 2016 to 61.8% in 2017.

InRetail Shopping Malls' adjusted EBITDA divided by net rental income (Net Rental Margin) was 83.4% in the fourth quarter of 2017, compared to 80.1% in the same period of 2016. In 2017, InRetail Shopping Malls' Net Rental Margin was 80.9% compared to 82.1% in 2016.

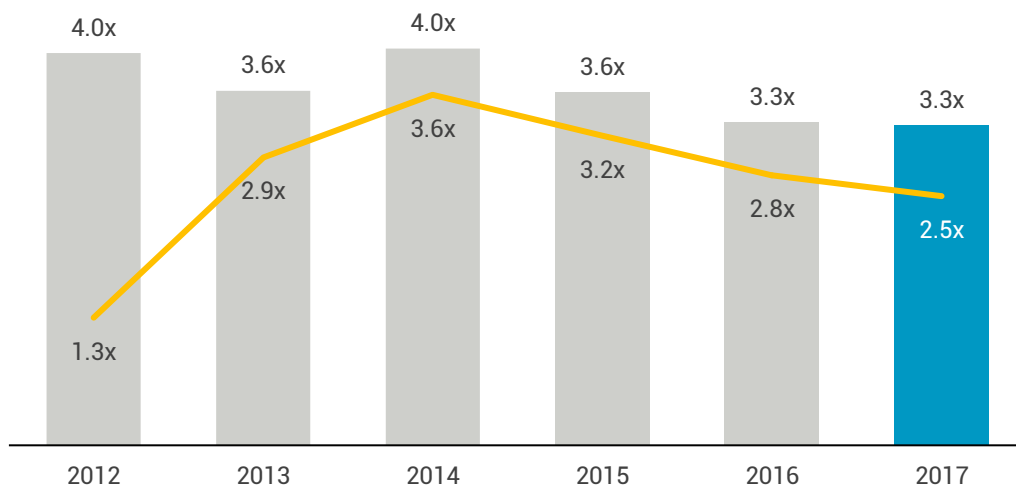
Consolidated CAPEX

The following graph sets forth the evolution of the CAPEX per quarter of **InRetail Peru**, mainly used to finance the development of new shopping malls and store openings. In 2017, CAPEX was also used for the construction of our new distribution center, production facility and fresh food warehouse for the Supermarkets segment:



Consolidated Financial Debt

The following graph sets forth the main financial ratios of **InRetail Peru**, consolidated for the years 2012 - 2017:



	2012	2013	2014	2015	2016	2017
Debt	1,668	1,722	2,446	2,670	2,659	2,704
Cash	1,125	324	285	325	432	599
Net Debt	542	1,398	2,160	2,344	2,227	2,105

Note: Since 2015, ratios are adjusted for the Call Spread effect

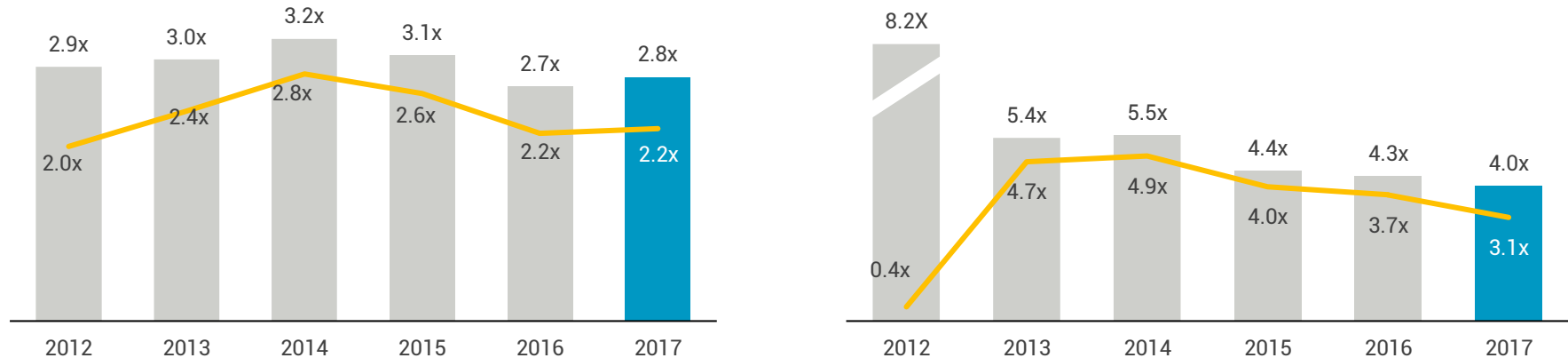
Financial Debt by Segment

The following diagram sets forth the financial consolidated debt by format for the years 2012 - 2017:



Total Consolidated Debt: S/ 2,704 mm

Debt / EBITDA: 3.3x
Net Debt / EBITDA: 2.5x



	2012	2013	2014	2015	2016	2017
Debt	976	1,095	1,347	1,422	1,402	1,511
Cash	306	215	168	202	277	319
Net Debt	670	880	1,179	1,120	1,125	1,192

Financial Covenants

InRetail Consumer

	Q4'17	Covenants
Net Debt / EBITDA	2.2x	<2.75x After October 10th 2017

InRetail Shopping Malls

	Q4'17	Covenants
Total Debt / Total Assets	32.5%	<60%
Secured Debt / Total Assets	1.3%	<30%
Adj. EBITDA / Interest Expense	2.6x	>2.0x After July 9th 2015
Unencumbered Assets / Unsecured Debt	298%	>150%

Note: Values of Total Debt and Net Debt used to calculate the ratios have been adjusted to reflect the amount protected by the USD330 million Call Spreads. Year to date, the Call Spreads have protected us from exchange rate depreciation between S/ 3.22 and S/ 3.225 to S/ 3.245 (FX spot as of December 2017) for a notional amount of USD100 million for InRetail Consumer and USD200 million for InRetail Shopping Malls, respectively. The remaining USD30 million which protects us from S/ 3.379 onwards, is currently out-of-the-money. All Call Spreads protect us up to an FX spot of S/ 3.75 until the maturity of both bonds.

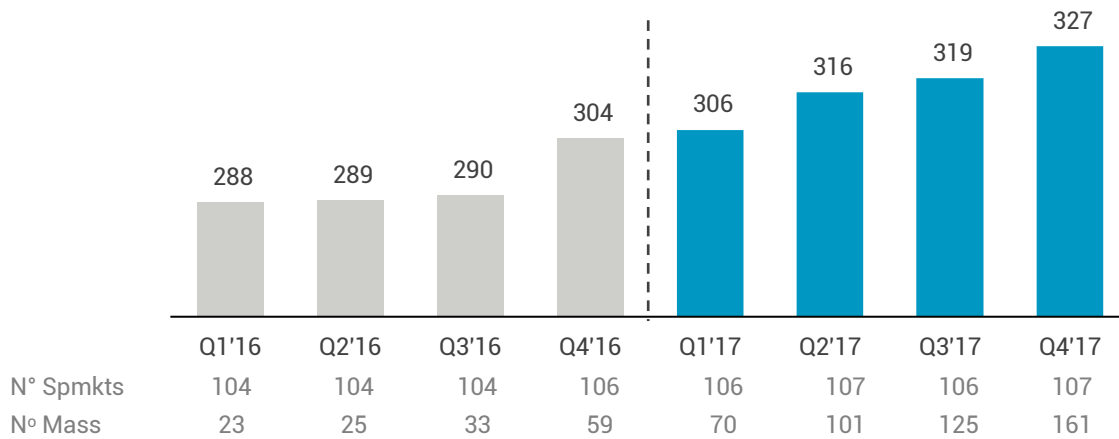
IV. KEY INDICATORS



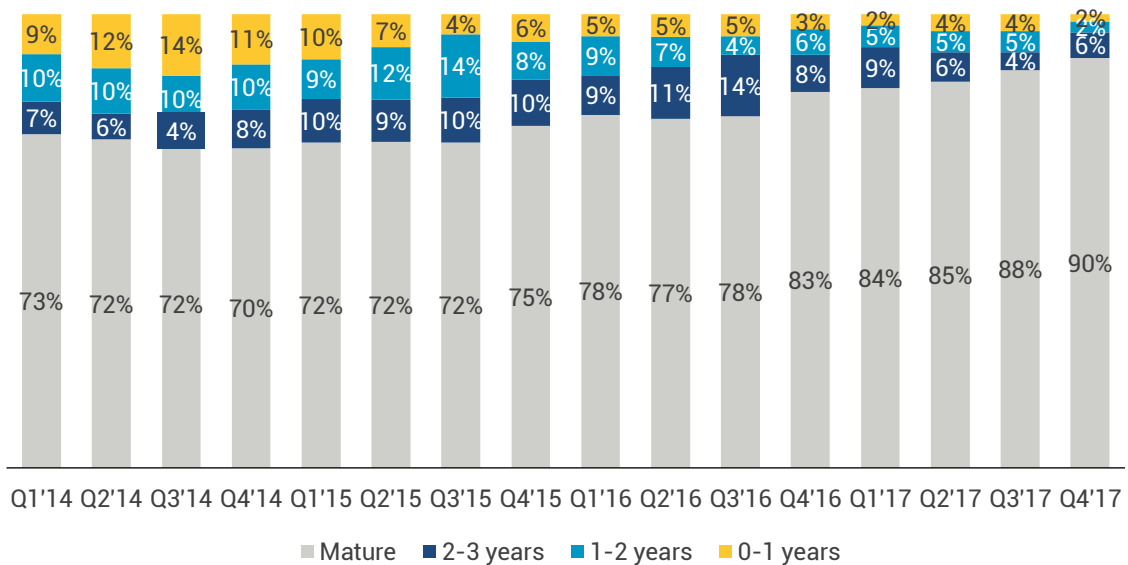
NUMBER OF STORES, SALES AREA AND AGE COMPOSITION OF RETAIL SEGMENTS

Supermarkets

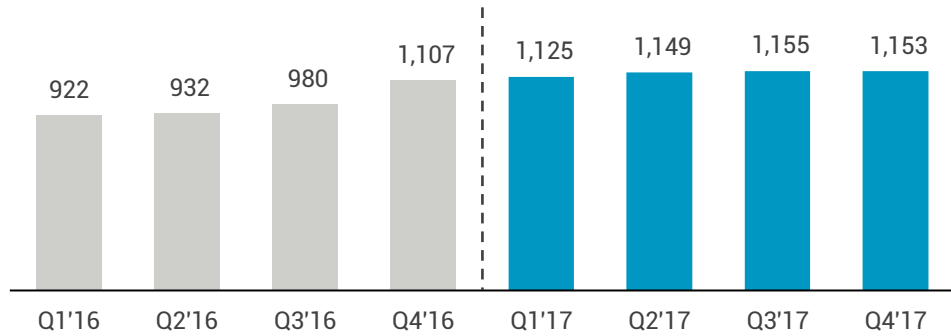
Sales Area ('000 sqm)



Age of Supermarket Stores



Pharmacies N° Stores



Quarter	N° of New Stores Opened
Q1'16	7
Q2'16	13
Q3'16	51
Q4'16	130
Q1'17	19
Q2'17	27
Q3'17	20
Q4'17	7

Note:

2014: 124 stores opened and 12 closed (112 additional stores)

2015: 101 stores opened and 17 closed (84 additional stores)

2016: 201 stores opened and 15 closed (186 additional stores)

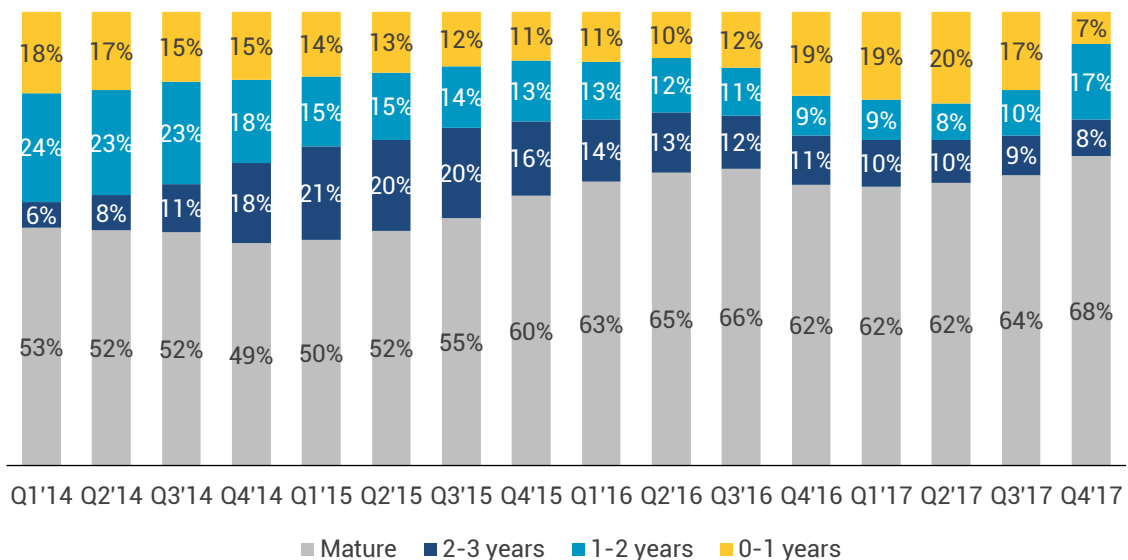
Q1 2017: 19 stores opened and 1 closed (18 additional stores)

Q2 2017: 27 stores opened and 3 closed (24 additional stores)

Q3 2017: 20 stores opened and 14 closed (6 additional stores)

Q4 2017: 7 stores opened and 9 closed (Minus 2 stores)

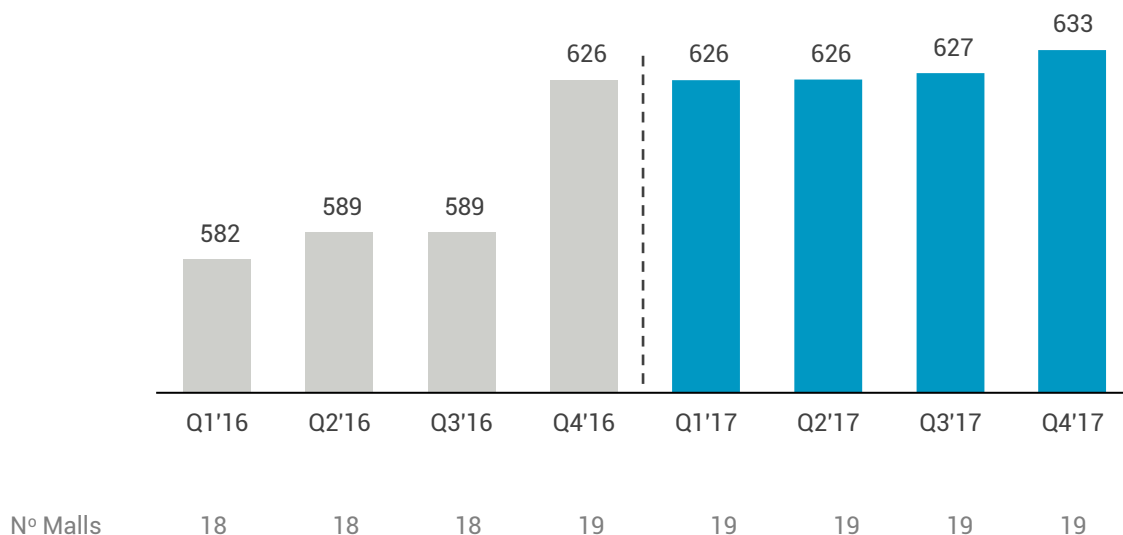
Age of Pharmacy Stores



NUMBER OF SHOPPING MALLS AND GLA OF INRETAIL SHOPPING MALLS

Shopping Malls

GLA ('000 sqm)



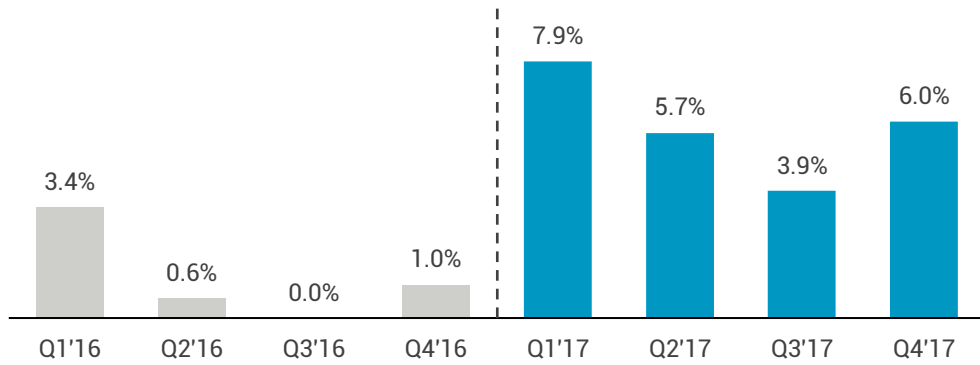
GLA by Mall

As of December 2017

Mall	sqm	Opening Date
Salaverry	72,525	May 14
Piura	52,646	Nov 10
Centro Cívico	49,688	Jan 10
Chiclayo	46,026	Jan 06
Trujillo	45,939	Nov 07
Huancayo	42,251	Jan 09
Cusco	39,186	Dec 13
Primavera	34,568	Sep 01
Cajamarca	34,465	Dec 13
La Curva	30,219	Dec-16
Juliaca	29,597	Apr 11
Huánuco	29,424	Dec 12
Arequipa	25,147	Sep 10
Pro	21,930	Jan 08
Santa Clara	21,719	Apr 09
Guardia Civil	20,062	Oct 11
Sullana	14,342	Dec 13
Unión	11,712	Dec 10
Chimbote	11,463	Nov 10
Total GLA	632,910	

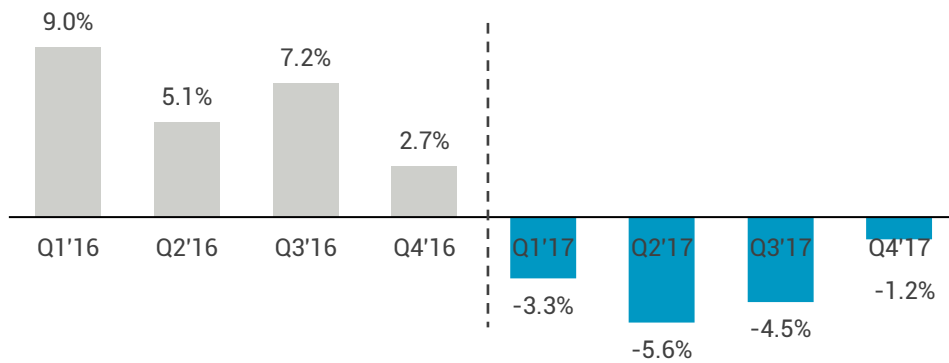
QUARTERLY SAME STORE SALES (SSS) GROWTH BY SEGMENT

Supermarkets



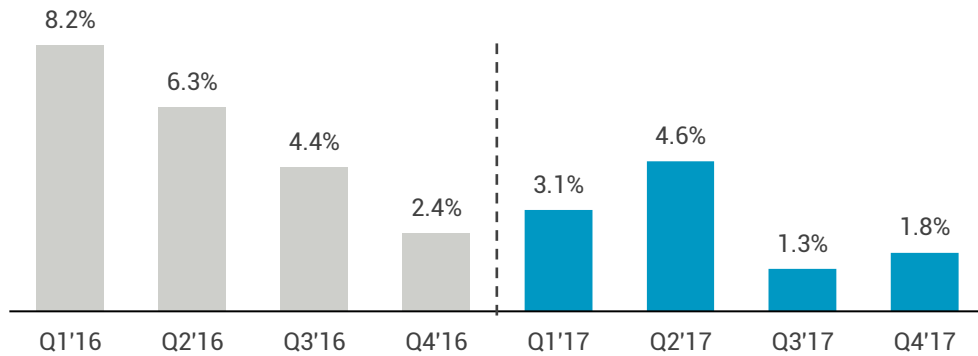
SSS Averages **2014: 4.4%** **2015: 3.7%** **2016: 1.2%** **2017: 5.9%**

Pharmacies



SSS Averages **2014: 8.5%** **2015: 5.1%** **2016: 5.9%** **2017: -3.6%**

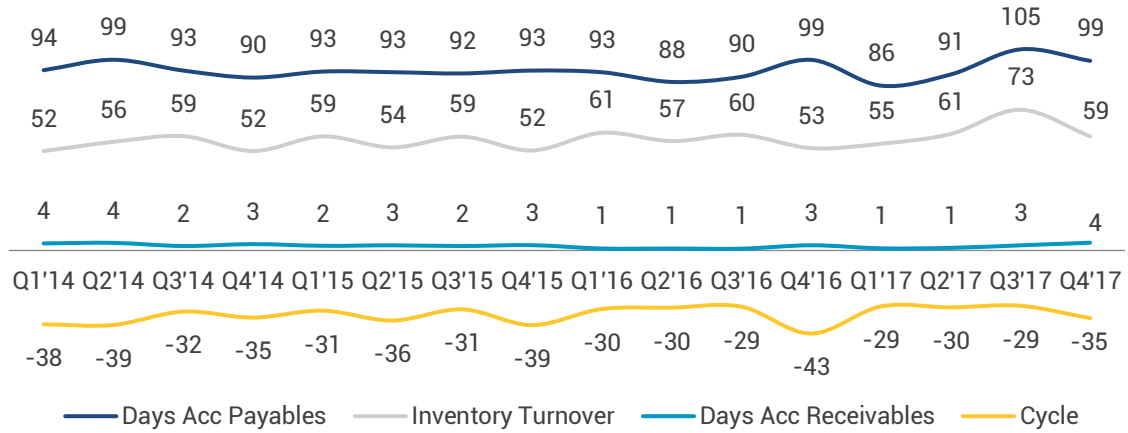
Shopping Malls



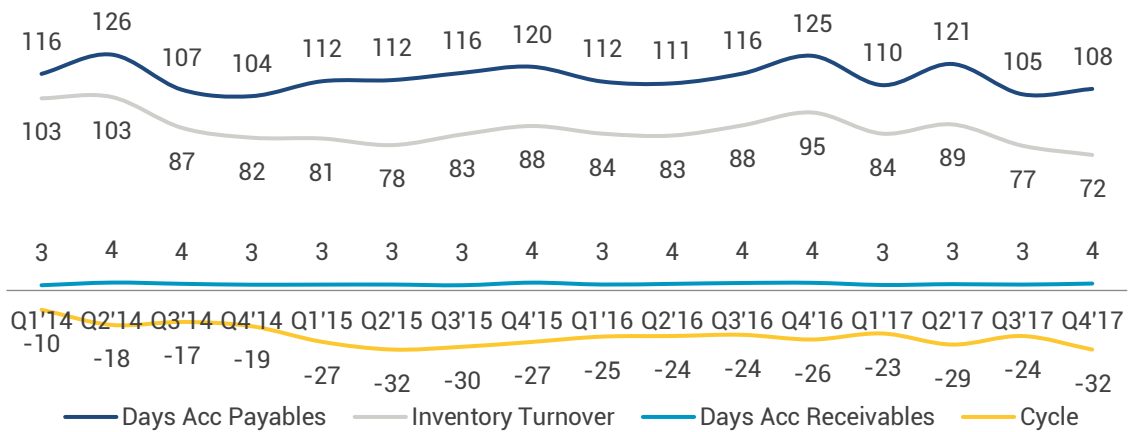
SSS Averages **2014: 2.6%** **2015: 4.7%** **2016: 5.2%** **2017: 2.6%**

QUARTERLY CASH CONVERSION CYCLE (N° DAYS)

Supermarkets



Pharmacies



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