



BVL: INRETC1

**EARNINGS REPORT
FIRST QUARTER 2014**

April 30, 2014

First Quarter 2014 Highlights

InRetail's Consolidated Performance

- Consolidated revenues of S/. 1,406 million, 14.1% over Q1 2013
- Adjusted EBITDA of S/. 118 million, 12.8% over Q1 2013
- Adjusted EBITDA margin of 8.4%, compared to 8.5% in Q1 2013
- Consolidated Net Income of S/. 34 million, 131.5% over Q1 2013
- Net Margin of 2.4%, compared to 1.2% in Q1 2013

Supermarkets

- Revenues of S/. 869 million, 11.3% over Q1 2013
- Same store sales growth of 4.8%
- Adjusted EBITDA of S/. 55 million, 22.2% over Q1 2013
- Adjusted EBITDA margin of 6.3%, compared to 5.7% in Q1 2013
- 10 new stores since Q1 2013 (21,834 sqm), reaching a total sales area of 248,609 sqm

Pharmacies




- Revenues of S/. 483 million, 16.6% over Q1 2013
- Same store sales growth of 9.3%
- Adjusted EBITDA of S/. 39 million, 12.8% over Q1 2013
- Adjusted EBITDA margin of 8.0%, compared to 8.3% in Q1 2013
- 6 additional stores in Q1 2014; 121 since Q1 2013, total of 731 stores

Shopping Centers

- Revenues of S/. 67 million, 40.6% over Q1 2013
- Adjusted EBITDA of S/. 36 million, 35.9% over Q1 2013
- Adjusted EBITDA margin of 54.3%, compared to 56.2% in Q1 2013
- Expansion of 5 shopping centers in Q1 2014; 124,344 sqm of additional GLA since Q1 2013, reaching a total GLA of 409,197 sqm¹

¹ Total GLA of 457,287 sqm including 3 managed properties.

InRetail at a Glance

	Supermarkets	Pharmacies	Shopping Centers	
LTM Q1 2014 (S/. millions)	 Supermercados Peruanos SA	 InkaFarma	 InRetail REAL ESTATE CORP	 InRetail PERU CORP
Revenues	3,417	1,893	236	5,498 ²
% of Revenues	61.6%	34.1%	4.2%	100%
Adjusted EBITDA ³	220	159	124	488
% of Adj. EBITDA	43.7%	31.6%	24.7%	100%
Market position	2 nd	1 st	1 st	
# Stores / S.Centers	98	731	17 ⁴	
Sales area / GLA	248,609 sqm	N/A	457,287 sqm	
# Employees	13,285	9,884	402	

² Revenues include intercompany eliminations.

³ 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.

⁴ Includes 14 owned (409,197 sqm of GLA) and 3 managed properties.

Results of Operations

Consolidated Income Statement

First Quarter of 2014, compared to First Quarter of 2013

The following table sets forth the main components of InRetail's consolidated income statement for the first quarter of 2014 and 2013.

InRetail Peru Corp

Consolidated Income Statement

In Millions	First Quarter		
	2014 (Nuevos Soles)	2013	Change %
Revenues:			
Supermarkets	869	781	11.3%
Pharmacies	483	415	16.6%
Shopping Centers	67	48	40.6%
Intercompany transactions	-13	-10	24.9%
Total revenues	1,406	1,233	14.1%
Cost of sales:			
Supermarkets	-650	-581	11.9%
Pharmacies	-333	-289	15.2%
Shopping Centers	-23	-15	50.7%
Intercompany transactions	-	-	-
Total cost of sales	-1,007	-886	13.6%
Gross profit:			
Supermarkets	219	200	9.5%
Pharmacies	150	125	19.7%
Shopping Centers	44	32	35.7%
Intercompany transactions	-13	-10	24.9%
Total gross profit	399	347	15.2%
Selling and administrative expenses	-311	-279	11.7%
Other operating income (expenses), net	16	13	18.4%
Operating profit	104	81	27.7%
Financial income (expenses), net	-48	-54	-10.8%
Income tax expense	-22	-13	70.3%
Net Income	34	15	131.5%

InRetail Peru Corp

Adjusted EBITDA

In Millions	First Quarter		
	2014 (Nuevos Soles)	2013	Change %
Supermarkets	55	45	22.2%
Pharmacies	39	34	12.8%
Shopping Centers	36	27	35.9%
Total	130	106	22.6%
Holding expenses and intercompany transactions	-12	-1	772.7%
Adjusted EBITDA	118	104	12.8%

InRetail's Results Analysis

The following analysis compares InRetail's results for the first quarter of 2014 with the same period in 2013.

Revenues

InRetail's revenues grew S/. 173 million, or 14.1% in the first quarter of 2014, compared to the same period in 2013, primarily due to same store sales growth, new store openings and new GLA.

InRetail's revenues Analysis by Segment

- Supermarkets revenues grew S/. 88 million, or 11.3% in the first quarter of 2014, compared to the same period in 2013. This growth is explained by a same store sales growth of 4.8% and the opening of 10 stores since the first quarter of 2013 (21,834 sqm, an increase of 9.6%).
- Pharmacies revenues grew S/. 69 million, or 16.6% in the first quarter of 2014, compared to the same period in 2013, due to a strong same store sales growth of 9.3% and 121 additional stores in operation since the first quarter of 2013, 6 of them in the first quarter of 2014. Pharmacies revenues were also positively impacted by the introduction of new private label products and an enhancement of the salesforce incentives program.
- Shopping centers revenues grew S/. 19 million, or 40.6% in the first quarter of 2014, compared to the same period in 2013, primarily due to the increase in revenues from existing shopping centers, shopping center expansions and the openings of Real Plaza Cusco and Real Plaza Cajamarca shopping centers during the last quarter of 2013 (a total of 124,344 square meters of additional GLA, or 43.7% increase).

Cost of sales

InRetail's cost of sales grew S/. 121 million, or 13.6% in the first quarter of 2014, compared to the same period in 2013.

InRetail's cost of sales Analysis by Segment

- Supermarkets cost of sales grew S/. 69 million, or 11.9% in the first quarter of 2014, compared to the same period in 2013. This growth was greater than sales growth primarily due to the increase of promotional campaigns.
- Pharmacies cost of sales grew S/. 44 million, or 15.2% in the first quarter of 2014, compared to the same period in 2013. However, this growth was below sales growth due to bargaining power and an increase in the penetration of high margin products which have lower costs.
- Shopping centers cost of sales increased S/. 8 million, or 50.7% in the first quarter of 2014, compared to the same period in 2013, mainly due to higher revenues, higher rental, security and property tax costs of projects in pre-operational stage.

Gross Profit

InRetail's gross profit grew S/. 53 million, or 15.2% in the first quarter of 2014, compared to the same period in 2013.

We define gross margin as gross profit as a percentage of revenues. As a result of the above factors, InRetail's gross margin increased from 28.1% in the first quarter of 2013, to 28.4% in the first quarter of 2014.

Gross Profit Analysis by Segment

- Supermarkets gross profit increased S/. 19 million, or 9.5% in the first quarter of 2014 compared to the same period in 2013. Supermarkets gross margin dropped from 25.6% to 25.2% due to the increase of promotional campaigns.
- Pharmacies gross profit grew S/. 25 million, or 19.7% in the first quarter of 2014 compared to the same period in 2013, mainly due to higher sales and an increase in the penetration of high margin products, improving its gross margin from 30.2% to 31.0%.
- Shopping centers gross profit grew S/. 11 million, or 35.7% in the first quarter of 2014 compared to the same period in 2013. Shopping centers gross margin dropped from 67.6% to 65.3%.

Selling and Administrative Expenses

The following table sets forth InRetail's selling and administrative expenses of the first quarter of 2014 and 2013.

InRetail Peru Corp Selling and Administrative expenses

	First Quarter		
	2014 (Nuevos Soles)	2013	Change %
In Millions			
Supermarkets	197	184	6.8%
Pharmacies	118	95	23.5%
Shopping Centers	8	7	8.4%
Holding expenses	1	1	-54.0%
Intercompany transactions	-13	-10	24.9%
Consolidation Adjustments	1	1	29.3%
Total selling and administrative expenses	311	279	11.7%

InRetail's selling and administrative expenses grew S/. 33 million, or 11.7% in the first quarter of 2014 compared to the same period in 2013. As a percentage of revenues, selling and administrative expenses decreased from 22.6% in the first quarter of 2013, to 22.1% in the same period in 2014.

Selling and Administrative Expenses Analysis by Segment

- Supermarkets selling and administrative expenses increased S/. 13 million, or 6.8% in the first quarter of 2014 compared to the same period in 2013, decreasing from 23.6% to 22.6% as a percentage of supermarkets revenues mainly due to store efficiencies and higher employee productivity, partially offset by higher rental, logistic and warehouse expenses due to a larger number of stores in operation.
- Pharmacies selling and administrative expenses grew S/. 22 million, or 23.5% in the first quarter of 2014 compared to the same period in 2013, mainly due to 121 additional stores in operation since the first quarter of 2013, higher rental, logistics and warehousing expenses due to the new stores opened and layoff expenses related to the shut-down of the old distribution center. As a percentage of pharmacies revenues, selling and administrative expenses increased from 23.0% in the first quarter of 2013 to 24.3% in the same period of 2014, mainly due to 56 new stores with less than 6 months of operation (50 additional stores in the last quarter of 2013 and 6 additional stores in the first quarter of 2014). As the new stores continue their ramp up period, logistic and operational expenses will get diluted.
- Shopping centers selling and administrative expenses increased S/. 1 million, or 8.4% in the first quarter of 2014 compared to the same period in 2013, mainly due to the opening and operation of Real Plaza Cusco and Real Plaza Cajamarca and shopping center expansions, a total of 124,344 square meters of additional GLA since the first quarter of 2013.

Intercompany transactions are eliminated upon consolidation of our financial statements.

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

Other Operating Income (Expenses), Net

InRetail's other operating income (expenses), net, resulted in an income of S/. 16 million in the first quarter of 2014, compared to an income of S/. 13 million in the same period in 2013.

Other operating income is mainly generated in our shopping centers segment due to increases in the fair value of investment properties determined in accordance with IFRS. Other operating income from marking the investment properties to market was S/. 15 million in the first quarter of 2014 compared to S/. 2 million in the same period in 2013.

Operating Profit

The following table sets forth InRetail's operating profit for the first quarter of 2014 and 2013.

InRetail Peru Corp
Operating Profit

	First Quarter		
	2014 (Nuevos Soles)	2013	Change %
In Millions			
Supermarkets	33	25	29.5%
Pharmacies	33	30	9.1%
Shopping Centers	40	28	44.8%
Holding expenses	-1	-1	-54.0%
Intercompany transactions	-	-	-
Consolidation adjustments	-1	-0	244.4%
Total Operating Profit	104	81	27.7%

InRetail's operating profit grew S/. 23 million, or 27.7%, in the first quarter of 2014 compared to the same period in 2013. Operating margin was 7.4% in the first quarter of 2014 compared to 6.6% in the same period in 2013.

Operating Profit Analysis by Segment

- Supermarkets operating profit grew S/. 8 million, or 29.5% in the first quarter of 2014 compared to the same period in 2013, improving its operating margin from 3.3% to 3.8%, mainly due to store efficiencies, higher employee productivity and other operating income originated by the sale of an unused land plot, partially offset by a lower gross margin and higher depreciation.
- Pharmacies operating profit grew S/. 3 million, or 9.1% in the first quarter of 2014 compared to the same period in 2013, decreasing its operating margin from 7.3% to 6.8%, mainly due to new stores in the process of fixed costs dilution, and higher selling and administrative expenses, despite higher revenues, gross profit and gross margin.
- Shopping centers operating profit grew S/. 12 million, or 44.8% in the first quarter of 2014 compared to the same period in 2013. Shopping centers operating margin increased from 58.2% to 60.0% mainly due to the increase in the fair value of investment properties of S/. 4 million in the fourth quarter of 2014, compared to an increase of S/. 1 million in the same period of 2013.

Intercompany transactions are eliminated upon consolidation of our financial statements.

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

Financial Income (Expenses), Net

InRetail's financial income (expenses), net, resulted in a loss of S/. 48 million in the first quarter of 2014, mainly due to financial expenses and foreign exchange losses.

InRetail's financial expenses were S/. 46 million in the first quarter of 2014, 12.3% over the same period in 2013. The main factor that impacted our financial expenses was the increase in our borrowings primarily used to finance our CAPEX plans and the effect of the depreciation of the nuevo sol relative to the U.S. dollar in our interest payments.

Due to the effect of the depreciation of the nuevo sol relative to the U.S. dollar on our financial liabilities denominated in U.S. dollars, we registered a net exchange loss of S/. 6 million in the first quarter of 2014, compared to a net exchange loss of S/. 21 million in the same period of 2013.

Income Tax Expense

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

InRetail's income tax expense increased S/. 9 million, or 70.3% in the first quarter of 2014, compared to the same period in 2013.

Net Income

InRetail's net income increased S/. 19 million, or 131.5% in the first quarter of 2014 compared to the same period in 2013. Net margin increased from 1.2% in the first quarter of 2013 to 2.4% in the same period in 2014.

Adjusted EBITDA⁵

The following table sets forth InRetail's adjusted EBITDA for the first quarter of 2014 and 2013.

InRetail Peru Corp Adjusted EBITDA	First Quarter		
	2014	2013	Change
In Millions	(Nuevos Soles)		%
Supermarkets	55	45	22.2%
Pharmacies	39	34	12.8%
Shopping Centers	36	27	35.9%
Total	130	106	22.6%
Holding expenses and intercompany transactions	-12	-1	772.7%
Adjusted EBITDA	118	104	12.8%

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

InRetail's adjusted EBITDA increased S/. 13 million, or 12.8% in the first quarter of 2014 compared to the same period in 2013. Adjusted EBITDA margin (Adjusted EBITDA as a percentage of revenues) decreased from 8.5% in the first quarter of 2013 to 8.4% in the same period in 2014.

Adjusted EBITDA Analysis by Segment

- Supermarkets adjusted EBITDA grew S/. 10 million, or 22.2% in the first quarter of 2014 compared to the same period in 2013. Adjusted EBITDA margin increased from 5.7% in the first quarter of 2013 to 6.3% in the same period in 2014, mainly due to efficiencies and productivity increases, partially offset by a lower gross margin.
- Pharmacies adjusted EBITDA grew S/. 4 million, or 12.8% in the first quarter of 2014 compared to the same period in 2013. Adjusted EBITDA margin decreased from 8.3% in the first quarter of 2013 to 8.0% in the same period in 2014, mainly due to higher operating and logistic expenses, despite a higher gross margin.
- Shopping centers adjusted EBITDA grew S/. 10 million, or 35.9% in the first quarter of 2014 compared to the same period in 2013. Adjusted EBITDA margin decreased from 56.2% in the first quarter of 2013 to 54.3% in the same period in 2014, mainly due to higher rental, security and property tax costs.

Consolidated Statement of Financial Position
As of March 31, 2014 and March 31, 2013

InRetail Peru Corp

Consolidated Statement of Financial Position

In Millions	As of March 31,	
	2014	2013
	(nuevos soles)	
Cash and short-term deposits	169	828
Inventories, net	753	612
Other current assets	424	328
Property, furniture and equipment	2,127	1,862
Investment properties	1,770	1,261
Intangible assets	1,158	1,140
Other non current assets	31	29
Total assets	6,433	6,062
Short- term debt	195	75
Other short-term liabilities	1,395	1,234
Long-term debt	1,579	1,613
Other long-term liabilities	275	226
Total liabilities	3,444	3,148
Non-controlling interest	0	0
Net equity attributable to controlling shareholders	2,988	2,914
Total net equity and liabilities	6,433	6,062

Earnings Release First quarter 2014



This material was prepared solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities.

This material may include forward-looking statements or statements about events or circumstances which have not yet occurred. We have based these forward-looking statements largely on our current beliefs and expectations about future events and financial trends affecting our businesses and our future financial performance. These forward-looking statements are subject to risk, uncertainties and assumptions, including, among other things, general economic, political and business conditions, both in Peru and in Latin America as a whole. The words "believes", "may", "will", "estimates", "continues", "anticipates", "intends", "expects", and similar words are intended to identify forward-looking statements. We undertake no obligations to update or revise any forward-looking statements because of new information, future events or other factors.

In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this presentation might not occur. Therefore, our actual results could differ substantially from those anticipated in our forward-looking statements.

No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein. It should not be regarded by recipients as a substitute for the exercise of their own judgment. We and our affiliates, agents, directors, employees and advisors accept no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this material.

This material does not give and should not be treated as giving investment advice. You should consult with your own legal, regulatory, tax, business, investment, financial and accounting advisers to the extent that you deem it necessary, and make your own investment, hedging and trading decision based upon your own judgment and advice from such advisers as you deem necessary and not upon any information in this material.