OFFERING MEMORANDUM

InRetail Shopping Malls

(A Peruvian Trust)

US$350,000,000

5.750% Senior Notes due 2028

The 5.750% Senior Notes due 2028 offered hereby (the "notes") will be issued by InRetail Shopping Malls, a Peruvian trust (the "Issuer"), acting through its trustee, *Internacional de Títulos Sociedad Titulizadora S.A.* (the "ISM Trustee"). The notes will be fully and unconditionally guaranteed (the "guarantees") by the parent company of the Issuer, InRetail Real Estate Corp., a Panamanian corporation (the "Parent Guarantor"); certain existing subsidiaries of the Issuer initially: Interproperties Holding, a Peruvian trust ("Interproperties Holding"), Interproperties Holding II, a Peruvian trust ("Interproperties Holding II"), and Real Plaza S.R.L., a Peruvian limited liability company ("Real Plaza" and, collectively with Interproperties Holding and Interproperties Holding II, the "Subsidiary Guarantors," and together with the Parent Guarantor, the "Guarantors"), and certain of our future subsidiaries.

The notes will mature on April 3, 2028. Interest on the notes will accrue at a rate of 5.750% per year and will be payable semi-annually in arrears on April 3 and October 3 of each year, beginning on October 3, 2018.

We may redeem the notes, in whole or in part, before April 3, 2023 at a redemption price based on a "make-whole" premium. At any time or from time to time on or after April 3, 2023, we may redeem the notes, in whole or in part, at the redemption prices specified under "Description of the Notes—Optional Redemption—Optional Scheduled Redemption." In addition, in the event of certain changes in applicable tax laws, we may redeem the notes, in whole but not in part, at any time at a price equal to 100% of their principal amount plus any accrued and unpaid interest up to, but excluding, the redemption date.

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

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

Investing in the notes involves risks that are described in the "Risk Factors" section beginning on page 18 of this offering memorandum.

Price per note: 100.000% plus accrued interest, if any, from April 3, 2018

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

The notes, the guarantees and the information contained in this offering memorandum have not been and will not be registered with or approved by the Peruvian Superintendency of the Securities Market (*Superintendencia del Mercado de Valores*, or "SMV") or the Lima Stock Exchange (Bolsa de Valores de Lima). Accordingly, the notes cannot be offered or sold in Peru, except if such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian securities market law establishes, among other things, that any particular offer may qualify as private if it is directed exclusively to institutional investors. The notes may not be offered or sold in the Republic of Peru or in any other jurisdiction except in compliance with the securities laws thereof. Other institutional investors, as defined by Peruvian legislation, must rely on their own examination of the terms of the offering of the notes to determine their ability to invest in them.

The notes were delivered in book-entry form only through the facilities of The Depository Trust Company ("DTC") for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System ("Euroclear"), and Clearstream Banking, *société anonyme* ("Clearstream"), on April 3, 2018.

Global Coordinators and Joint Bookrunners

Citigroup **J.P. Morgan**

Joint Bookrunner

Credit Suisse

May 24 , 2018

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

We have prepared this offering memorandum for use solely in connection with the proposed offering of the notes described in this offering memorandum.

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

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

Neither we nor the initial purchasers are making an offer to sell, or a solicitation of an offer to buy, the notes or the guarantees in any jurisdiction except where such an offer or sale is permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. See "Transfer Restrictions" for information concerning some of the transfer restrictions applicable to the notes. Neither we nor the initial purchasers are responsible for your compliance with those legal requirements.

By accepting this offering memorandum, you acknowledge that:

- you have been afforded an opportunity to request from us, and to review, all additional information considered by you to be necessary to verify the accuracy of, or to supplement, the information contained in this offering memorandum;

- you have not relied on the initial purchasers or their agents or any person affiliated with the initial purchasers or their agents in connection with your investigation of the accuracy of such information or your investment decision; and

- no person has been authorized to give any information or to make any representation concerning us or the notes other than those as set forth in this offering memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by us, the initial purchasers or their agents.

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

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

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

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

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

NOTICE TO RESIDENTS OF PERU

THE NOTES WILL NOT BE OFFERED PURSUANT TO A PUBLIC OFFERING IN PERU. THEREFORE, THIS OFFERING MEMORANDUM HAS NOT BEEN, AND WILL NOT BE, REGISTERED WITH THE PERUVIAN SUPERINTENDENCY OF SECURITIES (*SUPERINTENDENCIA DEL MERCADO DE VALORES*) OR THE LIMA STOCK EXCHANGE (*BOLSA DE VALORES DE LIMA*). PERUVIAN SECURITIES LAWS AND REGULATIONS ON PUBLIC OFFERINGS WILL NOT BE APPLICABLE TO THE OFFERING OF THE NOTES AND THEREFORE, THE DISCLOSURE OBLIGATIONS SET FORTH THEREIN WILL NOT BE APPLICABLE TO THE ISSUER OR THE SELLERS OF THE NOTES BEFORE OR AFTER THEIR ACQUISITION BY PROSPECTIVE INVESTORS. THIS OFFERING MEMORANDUM AND OTHER OFFERING MATERIALS RELATING TO THE OFFER OF THE NOTES AND THE GUARANTEES ARE BEING SUPPLIED TO THOSE PERUVIAN INSTITUTIONAL INVESTORS WHO HAVE EXPRESSLY REQUESTED THEM. SUCH MATERIALS ARE STRICTLY CONFIDENTIAL AND MAY NOT BE DISTRIBUTED TO ANY PERSON OR ENTITY OTHER THAN THE INTENDED RECIPIENTS.

ACCORDINGLY, THE NOTES CANNOT BE OFFERED OR SOLD IN PERU, EXCEPT IF (I) SUCH NOTES WERE PREVIOUSLY REGISTERED WITH THE SMV, OR (II) SUCH OFFERING IS CONSIDERED A PRIVATE OFFERING UNDER THE PERUVIAN SECURITIES LAWS AND REGULATIONS. THE PERUVIAN SECURITIES LAWS ESTABLISH, AMONG OTHER THINGS, THAT AN OFFER DIRECTED EXCLUSIVELY TO PERUVIAN INSTITUTIONAL INVESTORS QUALIFIES AS A PRIVATE OFFERING. IN MAKING AN INVESTMENT DECISION, INSTITUTIONAL INVESTORS, AS DEFINED BY PERUVIAN LEGISLATION, MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING OF THE NOTES AND THE GUARANTEES IN ORDER TO DETERMINE THEIR LEGAL ABILITY TO INVEST IN THE NOTES.

NO OFFER OR INVITATION TO SUBSCRIBE FOR OR SELL THE NOTES OR BENEFICIAL INTERESTS THEREIN CAN BE MADE IN THE REPUBLIC OF PERU EXCEPT IN COMPLIANCE WITH THE PERUVIAN SECURITIES LAWS AND REGULATIONS.

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation. This offering memorandum has been prepared on the basis that any offer of notes in any member state of the EEA will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of notes. This offering memorandum is not a prospectus for the purposes of the Prospectus Directive.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

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

AVAILABLE INFORMATION

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

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

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

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

General

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

- "Issuer" or "InRetail Shopping Malls" refers to *Patrimonio en Fideicomiso*—D.S. No. 093-2002-EF—InRetail Shopping Malls, a Peruvian trust (*fideicomiso de titulización*);
- "Parent Guarantor" or "InRetail RE" refers to InRetail Real Estate Corp., a Panamanian corporation;
- "we," "us," "our," "the Company" and similar terms refer to InRetail RE and its consolidated subsidiaries;
- "Interproperties Holding" refers to *Patrimonio en Fideicomiso*—D.S. No. 093-2002-EF—Interproperties Holding, a Peruvian trust (*fideicomiso de titulización*);
- "Interproperties Holding II" refers to *Patrimonio en Fideicomiso*—D.S. No. 093-2002-EF—Interproperties Holding II, a Peruvian trust (*fideicomiso de titulización*);
- "Real Plaza" refers to Real Plaza S.R.L., a Peruvian limited liability company (*sociedad comercial de responsabilidad limitada*);
- "2021 Notes" refers to the 6.500% senior notes due 2021 issued under the indenture dated as of July 09, 2014, among InRetail Shopping Malls, InRetail RE, the subsidiary guarantors listed on the signature pages thereto, The Bank of New York Mellon, as trustee, registrar, paying agent and transfer agent, and The Bank of New York Mellon (Luxembourg) S.A., as Luxembourg transfer and paying agent;
- "Interproperties Peru" refers to *Patrimonio en Fideicomiso*—D.S. No. 093-2002-EF—Interproperties Peru, a Peruvian trust (*fideicomiso de titulización*), one of our subsidiaries, only to the extent that our certificates of participation in Interproperties Holding and Interproperties Holding II, indirectly, grant us the rights to cash flows from shopping malls or real estate owned or leased by Interproperties Peru. Interproperties Peru is not a guarantor;
- "Interproperties Puerta del Sol" or "PF IPDS" refers to *Patrimonio en Fideicomiso*—D.S. No. 093-2002-EF—Interproperties Puerta del Sol, a Peruvian trust (*fideicomiso de titulización*), one of our subsidiaries, only to the extent that our certificates of participation in Interproperties Holding II, indirectly, grant us the rights to cash flows from dividends distributed by Inmobiliaria Puerta del Sol. Interproperties Puerta del Sol is not a guarantor;
- "Inmobiliaria Puerta del Sol" or "IPDS" refers to Inmobilaria Puerta del Sol S.A., a Peruvian corporation, only to the extent that the shares owned by Interproperties Puerta del Sol, indirectly, grant us the rights to cash flows from dividends distributed by Inmobiliaria Puerta del Sol in relation to the shopping malls on real estate owned or leased by it. Inmobiliaria Puerta del Sol is not a guarantor;
- "Inversiones Real State" refers to Inversiones Real State S.A. which is not a guarantor;
- "LEC" refers to Centro Comercial Estación Central S.A. which is not a guarantor; and
- the "guarantors" refer to the Parent Guarantor and certain subsidiaries of the Issuer, initially Interproperties Holding, Interproperties Holding II and Real Plaza.

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

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

Financial Information

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

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

We have translated some of the soles amounts contained in this offering memorandum into U.S. dollars for convenience purposes only. Unless the context otherwise requires, the rate used to translate soles amounts to U.S. dollars was S/3.241 to US$1.00, which was the exchange rate reported on December 31, 2017 by the SBS. The Federal Reserve Bank of New York does not report a noon buying rate for soles. The U.S. dollar equivalent information presented in this offering memorandum is provided solely for the convenience of investors and should not be construed as implying that the soles amounts represent, or could have been or could be converted into, U.S. dollars at such rates or at any other rate. See "Exchange Rates" for information regarding historical exchange rates of soles to U.S. dollars.

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

Special Note Regarding Non-IFRS Financial Measures

In this offering memorandum, we present certain non-IFRS measures, primarily Adjusted EBITDA and Adjusted EBITDA margin. A non-IFRS financial measure is generally defined as one purports to measure financial performance but excludes or includes amounts that would not be so adjusted in the most comparable IFRS measure. A non-IFRS financial measure does not have a standardized meaning prescribed by IFRS. We present these measures because we believe they provide investors with supplemental measures of the financial performance of our operations that facilitate period-to-period comparisons on a consistent basis. Our management also uses these measures from time to time, among other measures, for internal planning and performance measurement purposes. Adjusted EBITDA and Adjusted EBITDA margin should not be construed as alternatives to profit or operating profit as indicators of operating performance or as alternatives to cash flow provided by operating activities (in each case, as determined in accordance with IFRS). Adjusted EBITDA and Adjusted EBITDA margin, as calculated by us, may not be comparable to similarly titled measures reported by other companies. The calculations of these measures in this Offering Memorandum may not be the same as the definitions used for the calculations of the covenants under the notes. See "Description of the Notes." For the definitions of Adjusted EBITDA and Adjusted EBITDA margin and reconciliations of operating profit and net profit to Adjusted EBITDA, see "Summary—Summary Financial Information."

Industry and Market Data

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

ENFORCEMENT OF CIVIL LIABILITIES AND SERVICE OF PROCESS

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

Peru

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

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

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

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

Panama

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

Service of Process

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

SUMMARY

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

Overview

We are the leading shopping mall operator in Peru. We are the largest owner, developer and operator of shopping malls based on gross leasable area ("GLA"), number of shopping malls and tenants' sales. Under our Real Plaza brand, we operate 21 shopping malls with 670,393 m^2 of GLA. Based on our internal estimates, our diversified portfolio of shopping malls attracts the highest amount of consumer foot traffic in Peru, due to our unique combination of prime locations and highly recognized tenants' retail brands.

We strive to grow our business organically by taking advantage of shopping mall development opportunities throughout Peru, expanding our reach across socioeconomic segments and geographic markets. Our first shopping mall began to operate in 2001 (Primavera), and our GLA has since increased almost 68 fold as of December 31, 2017. Our investment plan from 2018 to 2023 contemplates approximately 370,000 m^2 of additional GLA. It includes the construction of four new shopping malls in Lima (Puruchuco, San Isidro, San Juan de Lurigancho and Higuereta), as well as the expansion of four of our existing shopping malls (Primavera, Cusco, Chiclayo and Trujillo) which would increase our GLA at a low cost and with low execution risk. Our expertise in selecting, securing, developing and operating these and other locations is a key profitability and growth driver of our business.

We are a nationwide operator with strategic locations in both Lima and the largest provinces in Peru. Our prime locations and expertise have allowed our shopping malls to attract and maintain an appealing tenant mix, to keep high occupancy rates, and to serve as shopping and entertainment destinations for Peruvian families. We were the first shopping mall operator to open a mall outside of Lima in 2006. Furthermore, we have been the first shopping mall operator to open a mall in seven of the 12 cities (in addition to Lima) in which we are currently present, and we are still the only shopping mall present in major cities like Cusco, Juliaca and Sullana. Our broad portfolio, diversified asset base, and first mover advantage have allowed us to maintain high occupancy rates of close to 96% as of December 31, 2017, and a high weighted average yield of approximately 15%, measured as net operating income over invested capital. As of December 31, 2017, the total value of our investment properties was US$988.1 million (S/3,202.4 million), and our total assets were US$1,139.9 million (S/3,694.4 million).

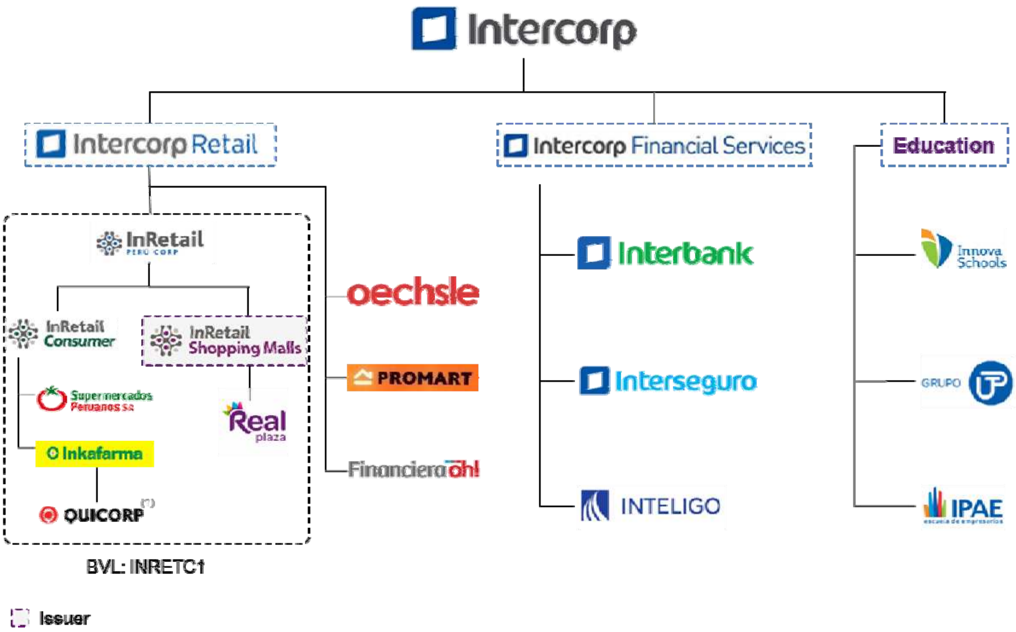
We believe we are in a very strong position to continue capitalizing on our investments in GLA and Peru's consumption growth, to secure predictable cash flows and increase our revenues and profitability. For December 31, 2017, our Adjusted EBITDA was S/294.1 million, our net rental income was S/363.7 million, and our net profit was S/137.1 million.

We believe that Peru offers attractive opportunities for significant growth based on its macroeconomic prospects, stable investment environment, favorable demographic trends and emerging middle class, combined with a retail sector that is underpenetrated by modern formats. Peru has been one of Latin America's fastest growing countries in terms of real GDP growth with average annual real GDP growth over 4.0% from 2012 to 2017, according to the Economist Intelligence Unit (the "EIU").

Macroeconomic stability set the basis for a socioeconomic transformation, with approximately 18% of the Peruvian population, nearly 5.6 million people, having risen above the poverty level between 2007 to 2016, and the upper and middle classes (roughly equivalent to the A, B and C socioeconomic segments) having expanded from approximately 26% of households in 2007 to approximately 40% in 2016, incorporating 5.3 million people into the upper and middle classes. As of 2016, 61.5% of Peru's population was younger than 35 years of age, according to the Instituto Nacional de Estadística e Informática (INEI), Peru's national institute of statistics and data. We focus on meeting the growing needs of Peruvian consumers who, as they become wealthier and demand higher quality products and services, are shifting towards modern, formal retailers and away from the country's traditional retail sector.

This favorable context has enabled Intercorp Peru, our ultimate parent company, to become a large and prominent Peruvian group with one of the most diversified business portfolios in Peru, with activities spanning financial services, retail, real estate, education, entertainment, tourism, restaurants, and industrial operations. As of and for the year ended December 31, 2017, Intercorp Peru had more than 64 thousand employees and over US$7.0 billion in combined market capitalization for its two listed companies, Intercorp Financial Services and InRetail Peru Corp.

The below chart shows a simplified corporate structure of Intercorp Peru:



In 2001, Intercorp Peru began investing in the Peruvian retail sector, attracted by its strong growth potential, increasing consumer purchasing power and an underpenetrated modern retail sector. We believe that being part of this group offers us the significant advantages of the group's deep understanding of the country in general and the retail and real estate markets in particular, a highly visible in-country presence, and rapid decision-making capabilities. In addition, Intercorp Peru controls a complementary portfolio of retail brands that supports the growth and operations of our shopping malls by providing valuable market and customer information.

Our team has a proven track record of financial discipline, having accessed the debt and equity capital markets to implement our expansion plans with a sound capital structure. In 2011, the Company issued its first US$185 million senior notes to finance expansion plans. In 2012, InRetail Peru Corp, our parent company, was publicly listed and capitalized InRetail Shopping Malls with approximately US$400 million to fund new acquisitions and pursue expansion plans. During 2014, the Company issued US$350 million and S/141 million senior notes to refinance the previously issued US$185 million senior notes and to finance the construction of additional shopping malls. Since the last debt issuance in 2014, the Company has deleveraged, reducing its Net Debt to Adjusted EBITDA ratio from 6.2x for the last 12 months ended March 31, 2014 to 3.2x for 2017, and maintained strong coverage ratios, increasing its Adjusted EBITDA to Net Interest Expense ratio from 2.3x for the last 12 months ended March 31, 2014 to 2.8x for 2017 (each as defined in the table below).

The chart below provides a calculation of Adjusted EBITDA and the ratios mentioned in the previous paragraph, for the periods presented:

	LTM 1Q2014	2017
	(S/ in millions)	
Net profit	**50.3**	**137.1**
Add back net financial expenses	(54.7)	(106.9)
Add back exchange difference, net	(42.5)	8.0
Add back income tax	(21.7)	(65.9)
Operating profit	**169.2**	**301.8**
Add back depreciation and amortization	(1.3)	(3.7)
Add back impact of marking our investment properties to market	45.5	11.4
Adjusted EBITDA(*)	**125.0**	**294.1**
Net debt(1)(*)	**771.4(2)**	**934.7**
Net interest expense(3)(*)	**54.7(2)**	**106.9**
Net debt(1) / Adjusted EBITDA(*)	**6.2x(2)**	**3.2x**
Adjusted EBITDA(*) / Net interest expense(3)(*)	**2.3x(2)**	**2.8x**

(1) Net debt is calculated as total debt minus cash and cash equivalents and investments at fair value through profit or loss.
(2) As adjusted to reflect the issuance of the 2021 Notes as of March 31, 2014 and the use of proceeds therefrom.
(3) Net interest expense is calculated as financial expenses minus financial income.
* The terms used in the above table may not be the same as the definitions used for the calculations of the covenants under the notes. See "Description of the Notes."

Our Business

Our business is primarily composed of Peruvian trusts that own or have been granted rights over real estate in Peru, Inmobiliaria Puerta del Sol S.A. (which has the groundlease right over the Cusco land) and Real Plaza, the management company that develops and operates InRetail Real Estate's shopping malls. Real Plaza is in charge of maintaining and developing strong relationships with our tenants, which include anchor tenants from our group such as Plaza Vea, Oechsle, Promart and Cineplanet, third-party anchor tenants such as Ripley and Saga Falabella, brand-name retailers such as H&M, Forever 21, Brooks Brothers, Zara and Banana Republic, leading local fashion boutiques, restaurant chains and other entertainment and service offering chains. Our shopping malls enjoy high occupancy rates and collectively had an estimated 24% market share based on GLA in 2017, according to the Asociación de Centros Comerciales del Peru (the "ACCEP").

We earn rental income, which consists of the greater of minimum monthly fixed rental payments or variable payments based on the retail sales of our tenants. Approximately 85% of our rental income for 2017 came from fixed rental payments, and the rest came from variable payments linked to our tenants' sales. All minimum fixed rental payments adjust for inflation each year. Variable payments allow us to benefit from the growth in sales of our tenants, who operate across a range of retail categories. We also collect maintenance and marketing funds from our tenants that we use to provide these shared services.

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

	As of and for the year ended December 31,			
	2017	2017	2016	2015
	(US$ in millions)(1)(2)	(S/ in millions)(1)		
Net rental income(3)	112.2	363.7	348.8	328.6
Gross profit	98.4	319.0	314.8	300.6
Adjusted EBITDA(4)	90.8	294.1	286.2	266.6
Adjusted EBITDA margin (%)(4)	80.9	80.9	82.1	81.1
Operating cash flow	108.1	350.5	346.5	298.0
Shopping malls owned or leased	19	19	19	18
Shopping malls operated	21	21	21	20
Total GLA (m^2)(5)	632,910	632,910	624,630	582,218
GLA of shopping malls owned by related parties(6)	37,483	37,483	38,248	38,248
GLA growth for the period (%)	1.3%	1.3%	7.3%	5.2%
Average occupancy rate (year end) (%)(7)	95.8%	95.8%	96.8%	96.3%
Number of visitors per year in millions	171	171	161	159
Total assets	1,139.9	3,694.4	3,539.2	3,325.7

(1) Except for percentages and operating data.
(2) Translated to U.S. dollars for convenience only at the rate of S/3.241 = US$1.00, the exchange rate reported on December 31, 2017 by the SBS. See “Exchange Rates.”
(3) Net rental income is defined as total income minus reimbursable operating costs related to the maintenance and management of our shopping malls. These operating costs are billed directly to tenants and are also reported as Income from Management Services. See “Management’s Discussion and Analysis of Financial Conditions and Results of Operations.”
(4) For our definitions of Adjusted EBITDA and Adjusted EBITDA margin, which are non-IFRS measures, and reconciliations of net profit and operating profit to Adjusted EBITDA, see “Summary—Summary Financial Information.”
(5) Does not include GLA owned by related parties.
(6) As of March 31, 2018, InRetail Shopping Malls acquired Real Plaza Pucallpa and Estación Central adding 37,483 m^2 of GLA.
(7) Ratio calculated at the end of each year using the average of all occupancy rates of all of the shopping malls including the occupancy rates of Pucallpa and Estación Central, which as of the above dates were held by related parties.

Our Strategy

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

Capitalize on our Leading Position to Remain the Preferred Option for Customers

Our deep local market knowledge and consumer analytics allow us to identify customer needs and behaviors that may change based on geographic location. Based on this knowledge and analytics, we carefully select our tenants, including successful local retailers, and design our tenant mix to provide an enhanced shopping experience. We monitor the evolution of consumer demands and the performance of tenants to renew our assortment and ensure a modern, up-to-date, product and service offering. Our customer-centric marketing campaigns and promotions are designed to generate additional traffic and generate more sales for our tenants.

Customer understanding begins with the site selection. We use key criteria to estimate site potential, including: (i) trade influence area considering GLA, transportation flow, traffic and physical barriers; (ii) population density and purchasing power by household; (iii) estimated penetration of new modern shopping malls by socioeconomic level; (iv) direct competitors analysis; and (v) estimated demand from beyond trade influence area.

Our customer-centric value proposition is built on Real Plaza’s “JAPI” culture, with the purpose of creating lively public spaces where everyone can be happy. We believe that our malls are not only retail spaces but also for human connection spaces and for gathering points for families and friends, in which leisure spaces serve as an additional anchor for attracting customers. In most of the cities outside Lima, our shopping malls have replaced the role of traditional main squares, offering unique entertainment and shopping experiences in spaces that feature dynamic and customized architecture.

Sustainable growth with prime locations to capture untapped demand

Sustainable growth is organized around four key processes:

(i) *Site selection*: scouting, site evaluation, analytics and negotiation.

We select locations for our shopping malls where there is significant unmet consumer demand. Our corporate location scouting team, with over 14 years of market expertise, is exclusively dedicated to finding and securing properties located in prime locations. Our geographic analytics system provides extensive consumer demand analytics and helps us target stable communities with in-place infrastructure, low penetration of modern shopping malls and other modern retail formats, robust population and business growth, and above average household income.

(ii) *Investment approval*: financial structuring and approval process of our projects.

We follow a rigorous process to pursue profitable investments, with senior executives participating in weekly committees in which new shopping mall development opportunities are presented and evaluated. Affiliated anchor tenants are involved early in the approval process, making investment decisions more efficient and sustainable.

(iii) *Development and construction*: design and project management.

Our construction process is monitored and controlled by a project management team, allowing us to monitor the effectiveness and efficiency of the process. We outsource construction activities. One of the main challenges of this process in Peru is the lack of adequate urban planning and inconsistent regulation. To overcome these obstacles, we have a specialized in-house team, which allows us to accelerate a typically slow permitting process by actively engaging with local regulators. To minimize commercial risk, we aim to have 50% of the GLA for each shopping mall leased before starting construction. For example, Real Plaza Puruchuco, our next flagship project, is already 53% leased and is expected to begin construction in the near future.

(iv) *Sales and operation*: sales, operation and marketing.

We have a commercial team that is in charge of attracting top local, regional and multinational retailers, with the goal of producing an optimal tenant mix in all our shopping malls. Additionally, the marketing team assesses the preferences of our customers in every city we are located; and based on customer feedback they draw up a marketing plan to ensure sustainable traffic in our shopping malls.

Furthermore, our operational team is responsible for preserving and ensuring the functioning of the shopping centers. They are responsible for developing, managing and executing operations strategies to improve the mall operations.

Through the effectiveness activities of these areas, we aim to be recognized as the preferred partner for our tenants while maintaining the best shopping experience for consumers.

Consolidate as the Preferred Partner for Local and International Tenants

We seek to generate new and improved relationships with locally and globally recognized tenants. Our shopping malls offer tenants substantial consumer foot traffic because of our strategic locations, anchor stores, marketing investments, efficient operations and superior tenant service. We serve as a growth platform for our tenants, from local companies to strategic global brands, in order to expand their presence nationwide. These tenants take advantage of our geographically diversified shopping mall portfolio and our value-added sales, and commercial consulting services. This approach has resulted in consistent lease renewal track record with fixed maturities.

Competitive Strengths

Highly Predictable Cash Flows

Our high occupancy rates and largely fixed-rental-income contracts lead to highly predictable cash flows. The substantial majority of our cash flows come from long-term tenant leases and we also have low concentration of lease expiration maturities. Moreover, approximately 70% of our contracts as a percentage of GLA have lease maturities from 2025 onwards.

For the year ended 2017, approximately 85% of our rental income came from fixed lease payments. Our average occupancy rate as of December 31, 2017 was 95.8%.

High Cash Realization

As opposed to the U.S. Real Estate Investment Trusts or the similar Mexican *fondos de inversiones en bienes raices e infraestructura*, that require high dividend payment rates, we are not required to distribute dividends. The net income of the Issuer will be subject to taxation only when it is distributed to InRetail RE, which distributions will be in our sole discretion. Our regulatory framework thereby provides a high level of cash realization, which is available for debt service and capital expenditures to grow our business.

High Quality and Diversified Portfolio of Prime Shopping Mall Locations

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

Our portfolio of shopping malls is strategically diversified with respect to both geographic location and target customer socioeconomic segment. We have nine shopping malls in the city of Lima with 264,412 m^2 of GLA (39.4% of our total GLA). We also have 12 shopping malls located in 11 provinces of Peru with 405,981 m^2 of GLA (60.6% of our total GLA). Our nationwide presence, our consumer demand analysis and our experience operating shopping malls allow us to benefit from the economic growth of various regions and income categories, minimizing the impact of fluctuations in regional economies and providing us with key competitive advantages for the implementation of our growth strategy.

Pipeline of Premium Projects under Development

Our premium shopping mall development projects in Lima and in Peru's provinces are commercially strategic and will target various socioeconomic segments. Currently, Puruchuco project, a landmark shopping mall with over 120,000 m^2 of GLA, is expected to begin construction in the near future. We estimate this project will be one of the largest shopping malls in Peru, strategically located in Ate, one of the most densely populated and transited districts in Lima, with a growing middle class population. We also plan to develop San Isidro, San Juan de Lurigancho and Higuereta shopping malls in the city of Lima, which will serve attractive markets in strategic neighborhoods of the city.

Strong and Stable Relationships with Retailers

Our diversified portfolio of shopping malls, high amounts of consumer foot traffic and our value-added services enable us to enjoy strong and stable relationships with our shopping mall tenants, high occupancy rates in our current shopping malls and increasing leasing revenues. In several cases, we have had more than 90% GLA occupancy prior to the opening of a shopping mall. We have over 600 tenants in our shopping mall portfolio, and a high lease renewal rate. We also have a low concentration of lease expiration maturities. Our strong relationship with our tenants is a strategic advantage as it permits us to plan new shopping malls or mall expansions with a high degree of visibility over future rent potential.

Exclusively focused on Opportunities in Peru

We believe our exclusive focus on Peru gives us an additional advantage. Peru offers attractive opportunities for growth based on its macroeconomic prospects and an emerging middle class, combined with a retail sector that is in an early stage of development. Peru has been one of the fastest growing economies in Latin America in terms of real GDP growth, with average annual real GDP growth over 3.6% from 2007 to 2017, according to the International Monetary Fund ("IMF"). Over the last 10 years, 18% of Peru's population, nearly 5.6 million people, have raised above the poverty level, according to INEI. As of 2017, 61.5% of Peru's population was younger than 35 years of age according to INEI. In addition, over the past 10 years, the average annual salary for Peruvians has increased 6.0%. Due to this positive performance, we are well positioned to capitalize on Peru's attractive growth opportunities.

Strategic Tenants Owned by Intercorp Peru and Established Relationships with Global Brands

We believe we have an additional competitive advantage because of the relationship between our shopping malls and Intercorp Peru's retail formats. Intercorp Peru owns well-known domestic retailers such as Plaza Vea, a hypermarket and supermarket chain, Oechsle, a department store, Promart, a home improvement store, and through Nexus Group, a private equity firm and a strategic partner of Intercorp Peru, other well-known domestic retailers such as Cineplanet, a line of movie theatres, and NG Restaurants, a line of fast-food restaurants. We also have established relationships with global brands such as Forever 21, Falabella, H&M, Banana Republic and Zara. Our relationships with these companies ensure a substantial amount of consumer foot traffic in our shopping malls. The early presence of these anchor stores in our projects also facilitates attracting additional tenants at favorable lease rates. We contract with these stores and restaurants only on an arm's-length basis.

Experienced Management Team and Strong Shareholder Base

Our management team has extensive operating experience in the retail and real estate sectors. Our management team has successfully secured locations and developed malls to grow our GLA eight-fold over the last 10 years, including opening our flagship shopping mall, Salaverry, on time and under budget, and has developed very strong relationships with local and global retailers. Furthermore, members of our management team have executed several financing, acquisition and development transactions, including the issuance of US$185 million senior notes by the Company in 2011, the US$460 million initial public offering of InRetail Peru Corp on the Lima Stock Exchange in 2012 and the issuances of US$350 million senior notes and S/141 million senior notes by InRetail Shopping Malls in 2014. Our culture emphasizes teamwork and meritocracy, and focuses on attracting and retaining highly qualified personnel while maintaining a motivated workforce.

The Peruvian Shopping Mall Industry

The Peruvian shopping malls industry has experienced strong growth during 2012 to 2017, partly explained by the growth of the economy (GDP CAGR of 3.6%) and its effect on GDP per capita (CAGR of 6.1%) and private consumption (CAGR of 3.9%).

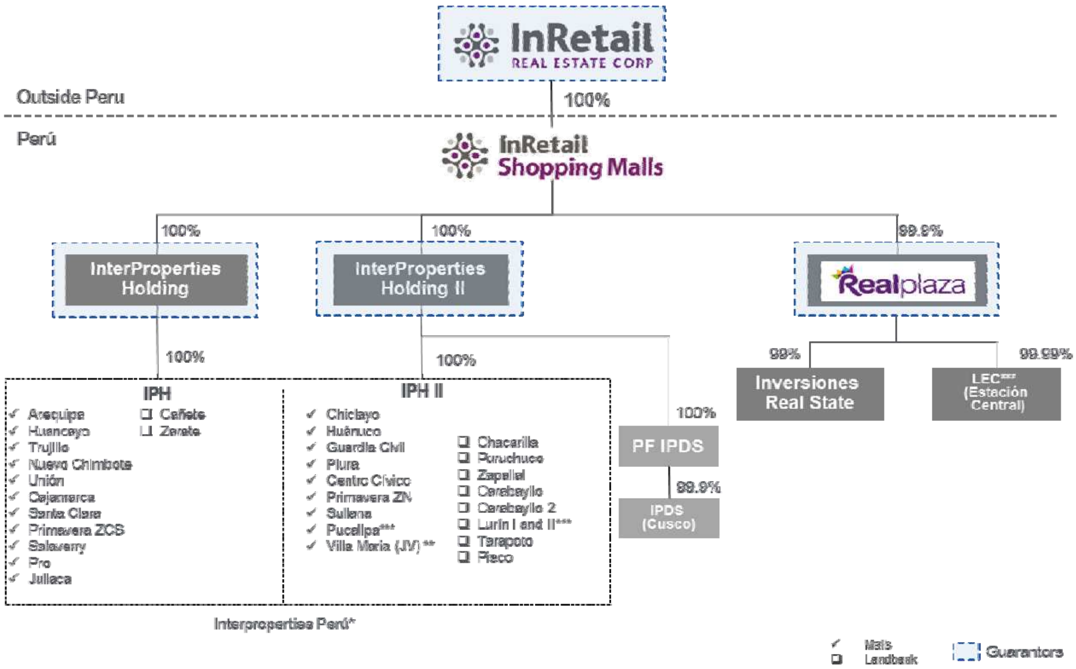
According to the ACCEP, as of December 2017, the Peruvian shopping mall industry consisted of 79 shopping malls, of which 43 shopping malls are located in Lima and 36 outside of the Lima metropolitan area, with a total GLA of 2,779,309 m^2. The number of Peruvian shopping malls, GLA and gross sales at Peruvian shopping malls grew at 15.8%, 14.3% and 13.8% CAGRs, respectively, for the five years ended December 31, 2017.

During 2017, Peruvian shopping malls received an estimated 61.8 million visitors per month, an increase of 6.5% over the visitors per month received in 2016. According to ACCEP, the industry's total investment in developing and expanding shopping malls during 2017-2018 will reach US$462 million and that 62% of the total amount will be allocated to the establishment of new shopping malls.

Despite recent growth, Peruvian shopping mall penetration is still low when compared to other Latin American countries. As of 2015, the ICSC estimated that there were 3.1 shopping malls per million inhabitants in Peru compared to 4.9 in Chile, 5.0 in Colombia and 6.1 in Mexico. In terms of GLA per capita, as of 2015 Peru had 91 m^2 per inhabitant compared to 169 m^2 and 218 m^2 in Mexico and Chile, respectively. As such, we believe there is a very significant opportunity for growth in GLA in Peru, both in Lima's more densely populated districts like Ate and San Juan de Lurigancho, where our Puruchuco mall and San Juan de Lurigancho mall will be located, to cities across the country like Cusco where we are the only shopping mall operator in the city.

Organizational Structure

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



* As of December 31, 2017, Interproperties Peru also owned real properties (Pucallpa, Cuartel San Martín and Lillingstone) whose certificates of participation are owned by Interseguro Compañia de Seguros S.A. ("Interseguro") and Urbi Propiedades S.A. ("Urbi"). These other real estate properties are not included in our consolidated financial results. In addition, InRetail Shopping Malls has a participation of 22.7% in the ownership of San Martin de Porres land, together with Interseguro and Intercorp Peru. Only InRetail Shopping Malls' participation is included in our consolidated financial results.
**We have a 60% joint venture with Supermercados Peruanos in the Real Plaza Villa María shopping mall.
***In the first quarter of 2018, InRetail Shopping Malls purchased Lurin II, Pucallpa and Estación Central from our related party Interseguro.

Concurrent Tender Offer of the 2021 Notes and Consent Solicitation

Concurrently with the offering of the notes hereby, we offered to purchase for cash any and all of the US$299,186,000 aggregate principal amount outstanding of the 2021 Notes and solicited consents (the "Tender Offer and Consent Solicitation") to amend the related indenture, dated as of July 9, 2014 (as amended and supplemented as of the date hereof, the "2021 Notes Indenture"), pursuant to the terms of, and subject to the conditions set forth under, an offer to purchase and consent solicitation statement, dated as of March 13, 2018, and related documents (the "Tender Offer Documents").

The Tender Offer and Consent Solicitation was conditional, among others, upon receiving the requisite consents to amend the 2021 Notes Indenture, our receiving the financing necessary for the payment of the purchase price and accrued interest to tendering holders of the 2021 Notes, and other general conditions set forth in the Tender Offer Documents. The financing condition was met from part of the net proceeds from the issuance of the notes offered hereby.

Citigroup Global Markets Inc. and J.P. Morgan Securities LLC acted as dealer managers and solicitation agents under the Tender Offer and Consent Solicitation.

2021 Notes representing US$263,723,000 in aggregate principal amount, or approximately 88.15% of the aggregate principal amount outstanding, were tendered.

All 2021 Notes not tendered in connection with the Tender Offer and Consent Solicitation were redeemed by us pursuant to the terms of the 2021 Notes Indenture, subject to the satisfaction of certain requirements under the 2021 Notes Indenture. Part of the net proceeds from the issuance of the notes offered hereby was used to finance such redemption. The 2021 Notes Indenture was satisfied and discharged on April 4, 2018.

Sol-denominated notes

Concurrently with this offer, we priced sol-denominated notes for an amount of S/313,500,000 to Peruvian institutional investors (the "Peruvian Offering"). No offer of the sol-denominated notes is being made hereunder.

Corporate Information

Our headquarters are located at Morelli 139 5th Floor, Lima 41, Peru. Our telephone number at that address is +51 (1) 618-8000. Our website address is www.realplaza.pe. The information included or referred to on, or otherwise accessible through, our website is not included or incorporated by reference into this offering memorandum.

The Offering

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

Issuer	InRetail Shopping Malls, acting through the ISM Trustee
Guarantors	The notes and the obligations of the Issuer under the indenture will be fully and unconditionally guaranteed on a senior unsecured basis by InRetail RE, Interproperties Holding, Interproperties Holding II, Real Plaza, InRetail Properties and certain future subsidiaries of InRetail RE in accordance with the terms of the indenture. See "Description of the Notes—Future Guarantors."
Notes Offered	US$350,000,000 aggregate principal amount of 5.750% Senior Notes due 2028.
Maturity	April 3, 2028
Interest	The notes will bear interest at the rate of 5.750% per annum, payable semi-annually in arrears on April 3 and October 3 of each year, beginning on October 3, 2018.
Issue Price	100.000% of the principal amount thereof, plus accrued interest, if any, from April 3, 2018.
Ranking	The notes and the guarantees will be senior unsecured obligations of the Issuer and the Guarantors, respectively, and will rank: • equally with all of the Issuer's and the Guarantors' respective existing and future senior indebtedness, other than certain obligations granted preferential treatment pursuant to applicable law; and • senior to all of the Issuer's and the Guarantors' respective future subordinated indebtedness. The notes and the guarantees will effectively rank junior to all of the Issuer's and the Guarantors' respective existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness. The notes will be structurally subordinated to all existing and future liabilities of any subsidiaries that do not guarantee the notes. As of December 31, 2017, our and our consolidated subsidiaries' outstanding indebtedness (excluding intercompany indebtedness) was S/1,192 million of which S/47.4 million was secured indebtedness owed by non-Guarantors. As of December 31, 2017, calculated on an as adjusted basis to give effect to this offering of notes, including the use of proceeds described below, as if all such transactions had occurred on December 31, 2017, we had S/1,723.8 million (US$531.9 million) of outstanding consolidated indebtedness (excluding intercompany indebtedness), of which S/47.4 million (US$14.6 million) was secured indebtedness and S/1,676.4 million (US$517.2 million) was owed by non-Guarantors.

Use of Proceeds	We expect to use the net proceeds from the offering together with the proceeds from the Peruvian Offering as follows: (i) to cancel all outstanding 2021 Notes in an aggregate principal amount of US$299,186,000, excluding transaction costs and premium, by purchasing any and all 2021 Notes validly tendered, not withdrawn and accepted for purchase, pursuant to the Offer to Purchase and Consent Solicitation Statement, or by redeeming any 2021 Notes not so tendered pursuant to a subsequent redemption (See "Summary—Concurrent Tender Offer of the 2021 Notes and Consent Solicitation"); (ii) to make a loan of US$125 million to InRetail Peru Corp, which holds common stock of our Parent Guarantor (See "Related Party Transactions—Financing Transactions—Intercompany Loan"), for partial repayment of its bridge loan incurred by its subsidiary, Eckerd S.A. (Inkafarma), to finance the acquisition of Quicorp S.A. (See "Plan of Distribution—Relationships with the Initial Purchasers"); and (iii) the remainder, if any, for general corporate purposes, including capital expenditures. See "Use of Proceeds."
Additional Amounts	All payments in respect of the notes will be made without any withholding or deduction for any taxes, unless such withholding or deduction is required by law. Under current Peruvian law and regulations, payments of interest to holders of the notes that are not residents of Peru for purposes of Peruvian taxation will generally be subject to Peruvian withholding tax at a rate of 4.99%. We will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding or deduction for taxes been required, subject to certain exceptions set forth under "Description of the Notes—Additional Amounts."
Redemption	The Issuer may redeem the notes, in whole or in part, prior to April 3, 2023 by paying the greater of (1) 100% of the principal amount of such notes and (2) the sum of the present value at such redemption date of (a) the redemption price of the notes on April 3, 2023 (such redemption price being set forth in the table under "Description of the Notes—Optional Redemption—Optional Scheduled Redemption") plus (b) all required interest payments thereon through April 3, 2023 (excluding accrued but unpaid interest to the redemption date), discounted to the redemption date on a semi-annual basis at the treasury rate plus 50 basis points. The Issuer may also redeem the notes, in whole or in part, on or after April 3, 2023, at the redemption prices set forth herein. In addition, the Issuer may redeem the notes, in whole but not in part, at a price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest, if any, to the date of redemption and any additional amounts, at any time upon the occurrence of certain changes in tax laws. At any time on or prior to April 3, 2021, the Issuer may also redeem up to 35% of the outstanding principal amount of the notes using the proceeds of certain equity offerings at the redemption price of 105.750% of the outstanding principal amount, plus accrued and unpaid interest, if any, to the date of redemption. See "Description of the Notes—Optional Redemption."

Change of Control Offer	Upon the occurrence of a Change of Control Event (as defined in "Description of the Notes"), the Issuer and the Parent Guarantor will be required to offer to repurchase all outstanding notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the date of purchase. See "Description of the Notes—Repurchase at the Option of Holders—Change of Control."
Covenants	The indenture governing the notes will, among other things, limit our ability to: • incur additional indebtedness; • incur liens; • make dividend payments or other restricted payments; • make certain investments; • place limitations on dividends and other payments by our restricted subsidiaries; • make certain asset sales or dispositions; • engage in transactions with affiliates; and • engage in mergers, consolidations and transfers of substantially all of our assets. However, these covenants are subject to a number of significant qualifications and exceptions. In addition, if the notes obtain investment grade ratings by at least two rating agencies and no default has occurred and is continuing, certain of the foregoing covenants will cease to be in effect for so long as the notes maintain such ratings. See "Description of the Notes—Certain Covenants."
Form and Denomination	The notes will be issued in book-entry form only in denominations of US$10,000 and integral multiples of US$1,000 in excess thereof. The notes will be represented by one or more global notes registered in the name of a nominee of DTC, as depositary, for the accounts of its direct and indirect participants, including Euroclear, as operator of the Euroclear system, and Clearstream.
Further Issues	In accordance with the terms of the indenture relating to the notes, we may issue additional notes of the same series as the notes offered hereby at a future date.
Listing	We have applied to list the notes on the Official List of the Luxembourg Stock Exchange and to admit them for trading on the Euro MTF Market in accordance with its rules and regulations. The notes are not yet listed. In the event that the notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market, the Issuer will use its commercially reasonable efforts to maintain such admission to listing and trading; provided that, if as a result

	of the European Union regulated market amended Directive 2001/34/EC (the "Transparency Directive") or any legislation implementing the Transparency Directive the Parent Guarantor could be required to publish financial information more regularly than either the Parent Guarantor otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Parent Guarantor would otherwise use to prepare its published financial information, the Issuer may delist the notes therefrom in accordance with the rules of the Luxembourg Stock Exchange and may seek an alternative admission to listing, trading and/or quotation for the notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as the Issuer may decide. In these circumstances, we cannot assure you that we would obtain an alternative admission to listing, trading and/or quotation for the notes by another listing authority, exchange and/or system within or outside the European Union.
Trustee, Registrar, Paying Agent and Transfer Agent..	The Bank of New York Mellon.
Luxembourg Listing, Transfer and Paying Agent..	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Transfer Restrictions..	The notes and the guarantees have not been, and will not be, registered under the Securities Act and, accordingly, are subject to limitations on transferability and resale. See "Transfer Restrictions" and "Plan of Distribution."
Risk Factors...	You should consider carefully all of the information set forth in this offering memorandum and, in particular, you should evaluate the risks described under "Risk Factors" beginning on page 18.

Summary Financial Information

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

	For the year ended December 31,			
Statement of Income data:	**2017**	**2017**	**2016**	**2015**
	(US$ in millions)[1]		**(S/ in millions)**	
Rental income	101.4	328.8	317.2	295.9
Income from management services[2]	45.4	147.1	140.7	139.2
Cost related to income from management services[2]	(34.6)	(112.1)	(109.1)	(106.5)
Net rental income	**112.2**	**363.7**	**348.8**	**328.6**
Cost of rental income	(13.8)	(44.7)	(34.0)	(28.0)
Gross profit	**98.4**	**319.0**	**314.8**	**300.6**
Fair value adjustments to investment properties	3.5	11.4	11.1	37.6
Selling and administrative expenses	(11.2)	(36.4)	(32.6)	(33.0)
Other income (expenses) net	2.4	7.8	0.5	(3.8)
Operating profit	**93.1**	**301.8**	**293.7**	**301.3**
Financial expense, net	(33.0)	(106.9)	(113.5)	(103.5)
Exchange difference, net	2.5	8.0	3.9	(81.0)
Profit before income tax	**62.6**	**202.9**	**184.1**	**116.9**
Income tax[3]	(20.3)	(65.9)	(56.1)	(7.2)
Net profit	**42.3**	**137.1**	**127.9**	**109.6**

(1) Translated to U.S. dollars for convenience only at the rate of S/3.241 = US$1.00, the exchange rate reported on December 31, 2017 by the SBS. See "Exchange Rates."
(2) Includes operating costs for the maintenance and management of our shopping malls billed directly to tenants.
(3) The Issuer will pay income tax only upon the distribution of profits from operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of December 31,			
	2017	**2017**	**2016**	**2015**
	(US$ in millions)[1]	**(S/ in millions)**		
Statement of financial position data:				
Assets				
Cash and cash equivalents	17.3	56.0	48.9	46.0
Investments at fair value through profit or loss	62.3	202.0	90.3	35.0
Investments at fair value through other comprehensive income	17.4	56.4	57.5	47.2
Accounts receivables[2]	31.2	101.2	94.6	95.9
Prepaid expenses	1.6	5.2	2.4	0.5
Recoverable taxes	3.1	10.0	19.3	21.8
Total current assets	**132.9**	**430.9**	**313.0**	**246.3**
Investment properties[3]	988.1	3,202.4	3,105.5	2,925.5
Derivative financial instrument	9.3	30.3	55.9	62.5
Recoverable taxes	5.0	16.2	50.3	77.6
Other non-current assets[4]	4.5	14.7	14.5	13.8
Total non-current assets	**1,007.0**	**3,263.5**	**3,226.2**	**3,079.4**
Total assets	**1,139.9**	**3,694.4**	**3,539.2**	**3,325.7**
Liabilities				
Accounts payables	9.8	31.9	31.2	30.8
Other liabilities[5]	25.9	84.0	77.9	61.5

	As of December 31,			
	2017	2017	2016	2015
	(US$ in millions)[1]	(S/ in millions)		
Current portion of financial obligations.............	13.9	45.2	44.5	43.3
Total current liabilities....................................	**49.7**	**161.1**	**153.5**	**135.6**
Financial obligations...	354.1	1,147.6	1,212.2	1,204.2
Deferred income tax liabilities...........................	8.5	27.5	19.1	17.7
Other liabilities[6]	74.4	241.2	189.8	142.8
Total non-current liabilities	**437.0**	**1,416.3**	**1,421.1**	**1,364.7**
Total liabilities	**486.7**	**1,577.4**	**1,574.6**	**1,500.3**
Capital stock	455.3	1,475.7	1,475.7	1,475.7
Unrealized results	1.1	3.7	(11.7)	(32.2)
Retained earnings	196.7	637.6	500.6	375.5
Non-controlling interest.....................................	-	-	-	6.4
Total equity	**653.2**	**2,117.0**	**1,964.6**	**1,825.4**

(1) Translated to U.S. dollars for convenience only at the rate of S/3.241= US$1.00, the exchange rate reported on December 31, 2017 by the SBS. See "Exchange Rates."
(2) Includes trade receivables, accounts receivables from related parties and other receivables. See notes 7, 8 and 27(b) to the consolidated financial statements and related notes elsewhere in this offering memorandum.
(3) Includes the impact of marking our investment property valuations to market.
(4) Includes facilities, furniture and equipment, deferred income tax and other assets. See notes 11 and 13 to the consolidated financial statements and related notes elsewhere in this offering memorandum.
(5) Includes accounts payable to related parties and other liabilities. See notes 15 and 27(b) to the consolidated financial statements and related notes elsewhere in this offering memorandum.
(6) Includes income tax related to special purpose entity, long-term trade accounts payables and other long-term liabilities. See notes 14, 15 and 26(f) to the consolidated financial statements and related notes elsewhere in this offering memorandum.

In this offering memorandum, we present certain non-IFRS measures, particularly Adjusted EBITDA and Adjusted EBITDA margin. A non-IFRS measure is generally defined as one that purports to measure financial performance but excludes or includes amounts that would not be so adjusted in the most comparable IFRS measure. We define Adjusted EBITDA as operating profit, plus depreciation and amortization, adjusted for the impact of marking to market the valuations of our investment properties. We define Adjusted EBITDA margin as Adjusted EBITDA divided by net rental income. We present Adjusted EBITDA and Adjusted EBITDA margin because we believe they provide investors with supplemental measures of the financial performance of our operations that facilitate period-to-period comparisons on a consistent basis. Our management also uses Adjusted EBITDA and Adjusted EBITDA margin from time to time, among other measures, for internal planning and performance measurement purposes. Adjusted EBITDA and Adjusted EBITDA margin should not be construed as alternatives to net profit or operating profit, as indicators of operating performance or as alternatives to cash flow provided by operating activities (in each case, as determined in accordance with IFRS). The calculations of these measures in this Offering Memorandum may not be the same as the definitions used for the calculations of the covenants under the notes. See "Description of the Notes." Adjusted EBITDA and Adjusted EBITDA margin, as calculated by us, may not be comparable to similarly titled measures reported by other companies.

The reconciliations of net profit and operating profit for the periods indicated below to Adjusted EBITDA are as follows:

	For the year ended December 31,			
	2017	**2017**	**2016**	**2015**
	(US$ in millions)[(1)(2)]	**(S/in millions)**[(1)]		
Net profit	**42.3**	**137.1**	**127.9**	**109.6**
Add back net financial expenses	(33.0)	(106.9)	(113.5)	(103.5)
Add back exchange difference, net	2.5	8.0	3.9	(81.0)
Add back income tax	(20.3)	(65.9)	(56.1)	(7.2)
Operating profit	**93.1**	**301.8**	**293.7**	**301.3**
Add back depreciation and amortization	(1.2)	(3.7)	(3.6)	(2.9)
Add back impact of marking our investment properties to market[(3)]	3.5	11.4	11.1	37.6
Adjusted EBITDA	**90.8**	**294.1**	**286.2**	**266.7**
Adjusted EBITDA Margin	**80.9%**	**80.9%**	**82.1%**	**81.2%**

(1) Except percentages.
(2) Translated to U.S. dollars for convenience only at the rate of S/3.241 = US$1.00, the exchange rate reported on December 31, 2017 by the SBS. See "Exchange Rates."
(3) We mark to market the valuations of our investment properties quarterly. All of our owned shopping malls are investment properties. For additional information, see notes 11(d) and 12 to the consolidated financial statements and related notes elsewhere in this offering memorandum.

RISK FACTORS

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

Risks Relating to our Business

Economic conditions that impact consumer spending could materially affect us.

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

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

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

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

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

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

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

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

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

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

- civil disturbances, earthquakes and other natural disasters, or terrorist acts or acts of war which could result in uninsured or underinsured losses;

- legal reform and governmental regulations, especially those governing land-usage, zoning and real property taxes);

- oversupply of retail space or a reduction in demand for retail space, resulting in lower rent prices and lower revenues;

- increased competition from other shopping mall operators which might drive down our prices and profits;

- increases in operating costs due to inflation and other factors such as insurance expense, utilities, real estate taxes, and heightened security and cleaning costs; and

- the need to periodically renovate, repair and re-lease space.

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

Existing and new regulatory requirements may adversely affect our business.

Our business is subject to numerous governmental and local regulations, including the operating and security standards of the National Center for the Prevention, Estimation and Reduction of Disaster Risk (Centro Nacional de Prevención, Estimación y Reducción del Riesgo de Desastres, or "CENEPRED") and governmental and local agencies, as well as laws and regulations relating to historical heritage, use of the soil, consumer protection and safety matters. We cannot assure you that a regulatory agency or court of law would determine that we are fully compliant with such laws and regulations.

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

Untimely compliance or non-compliance with applicable laws and regulations could result in the imposition of civil and regulatory penalties that could adversely affect the continued operation of our business, including: loss of required government certifications; loss of licenses to operate one or more of our locations or to perform certain commercial activities; significant fines or monetary penalties; or closing of our locations as a preventative measure.

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

Our growth strategy may not be successful.

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

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

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

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

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

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

Our future acquisitions may be unprofitable.

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

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

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

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

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

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

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

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

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

If certain of our most important tenants were to experience financial difficulties, including bankruptcy, insolvency or a general downturn of business, or if we simply failed to retain their patronage, our business could be adversely affected. If we are not able to successfully re-lease the affected space, bankruptcy and/or closure of one or more key tenants, could have a material adverse effect on both shopping mall revenues and the underlying value of the properties involved.

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

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

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

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

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

Our success depends on key members of our management.

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

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

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

Approximately 15% percent of our annual rental income in 2017 was from variable rental income, tied to the economic results of our tenants. Historically, we have experienced distinct seasonal sales patterns at our shopping malls (as a result of the reliance on the activity levels of department stores in the shopping malls) due to heightened consumer activity throughout the Mother's Day (May), Father's Day (June), Independence Day (July), Christmas and New Year holiday seasons. The department stores from which our shopping malls earn variable lease payments promote the sale of non-food items by discounting imported goods, such as toys, throughout the Christmas holiday season. Conversely, we usually experience a decrease in sales during the summer vacation months of January and February. We expect that this seasonality will continue in the future. Any economic slowdown, interruption to our business or to the business of our suppliers, or the occurrence of any other circumstance that may impact our business during December of any year may, therefore, adversely affect our business.

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

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

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

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

Our parent company may exercise substantial influence in a manner that differs from your interests as a noteholder.

Our parent company, InRetail RE, is a wholly owned subsidiary of InRetail Peru Corp. Pursuant to our organizational documents and structure, InRetail Peru Corp. has and will continue to have indirect power, through its wholly owned subsidiary InRetail RE, to direct our actions, including transactions with related parties, reorganizations and the timing and payment of dividends. Even though InRetail RE's board has independent directors and is responsible for establishing our general business policies and guidelines, as well as our long-term strategy, InRetail Peru Corp. has significant influence in such determinations and other operating and management matters. InRetail Peru Corp.'s interests may not in all cases be aligned with your interests as a holder of the notes. For example, InRetail Peru Corp may direct us, or cause InRetail RE's board of directors and/or executive officers to direct us, not to engage in certain activities, to make certain expenditures and dividend payments and/or enter into transactions with affiliates, that, in InRetail Peru Corp's judgment, could enhance its equity investment, even though such transactions might involve risks to you and/or our business. The impact of such actions could have a material adverse effect on our financial condition and results of operations and, as a result, impair our ability to make payments under the notes.

We may be exposed to risks related to litigation and administrative proceedings that could materially and adversely affect our financial condition and results of operation.

Our business may expose us to litigation relating to labor, regulatory, tax and administrative proceedings, governmental investigations, tort claims, contract disputes and criminal prosecution, among other matters. In the context of these proceedings, we may not only be required to pay fines or money damages but also be subject to sanctions or injunctions affecting our ability to continue our operations. While we may contest these matters vigorously and make insurance claims when appropriate, litigation is subject to inherent uncertainties and costs, and unfavorable rulings may occur. Although we may establish provisions as we deem necessary, the amounts that we reserve could vary significantly from any amounts we actually pay due to the inherent uncertainties in the estimation process. We cannot assure you that the legal, administrative and regulatory proceedings in which we are involved will not materially and adversely affect our ability to conduct our business in the manner that we expect or otherwise adversely affect our results of operations and financial position should an unfavorable ruling occur.

The interruption or failure of our information technology, communication and processing systems or external attacks and invasions of these systems could have an adverse effect on us.

We depend on information technology, communication and processing systems to operate our business. Such systems are vital to our ability to monitor our retail and online operations, adequately generate invoices to customers, achieve operating efficiencies and meet our targets and standards. Damage to our networks and backup mechanisms may result in service delays or interruptions and limit our ability to provide customers with reliable service or affect the retail experience of our clients. Some of the risks to our networks and infrastructure include:

- physical damage to access lines, including theft, vandalism, terrorism or other similar events;
- software defects;
- scarcity of network capacity;
- disruptions beyond our control;
- breaches of security, including cyber-attacks and other external attacks; and
- natural disasters.

The occurrence of any such event could cause interruptions in service or interfere with our operations, either of which could reduce our revenues or cause us to incur additional expenses. Although we have operational insurance with business interruption coverage that may protect us against specific insured events, we may not be insured for all events or for the full amount of the lost margin or additional expense. In addition, the occurrence of any such event may subject us to penalties and other sanctions imposed by the applicable regulatory authorities. The occurrence of damages to our networks and systems could have a material adverse effect on our business, financial condition, results of operations or liquidity.

Risks Relating to Peru

Economic, social and political developments in Peru including political instability, inflation and unemployment could have a material adverse effect on our business.

All of our operations and customers are located in Peru. Accordingly, our financial condition and results of operation will be dependent on the level of economic activity in Peru. Our financial condition and results of operations could be affected by changes in economic and other policies of the Peruvian government (which has exercised and continues to exercise substantial influence over many aspects of the private sector), and by other economic and political developments in Peru, including devaluation, currency exchange controls, inflation, economic downturns, political instability, corruption scandals, social unrest and terrorism.

In the past, Peru has experienced political instability that has included a succession of regimes with differing economic policies and programs. At present, Peru is a stable democracy having completed a peaceful transition from the administration of President Ollanta Humala to President Pedro Pablo Kuczynski, who took office in July 2016. Previous governments have imposed controls on prices, exchange rates, local and foreign investment and international trade, restricted the ability of companies to dismiss employees, expropriated private sector assets and prohibited the remittance of profits to foreign investors. We cannot be certain whether the Peruvian government will continue or be able to pursue its agenda, including business-friendly and open-market economic policies that stimulate economic growth and social stability.

During the 1980s and the early 1990s, Peru experienced severe terrorist activity targeted against, among others, the government and the private sector. Despite the suppression of terrorist activity, a resurgence of terrorism in Peru may occur, which could disrupt the economy of Peru and our business. In addition, Peru has, from time to time, experienced social and political turmoil, including riots, nationwide protests, strikes and street demonstrations. Despite Peru's ongoing economic growth and stabilization, the social and political tensions and high levels of poverty and unemployment continue. Future government policies to preempt or respond to social unrest could include, among other things, expropriation, nationalization, suspension of the enforcement of creditors' rights and new taxation policies. These policies could adversely and materially affect the Peruvian economy and our business.

Furthermore, some of the measures proposed by the new administration may generate political and social opposition, which may in turn prevent the current government from adopting such measures as proposed. Political parties opposed to the current administration retained a majority of the seats in the Peruvian Congress in the recent elections, which will require the current administration to seek political support from such opposition parties for its economic proposals. Additionally, the opposition in the Peruvian Congress called a vote to impeach President Kuczynski in connection with certain alleged links to Brazilian construction firm Odebrecht. The vote took place on December 21, 2017 and only obtained 78 (60%) of the 87 (67%) votes needed for impeachment. Therefore, President Kuczynski had remained in his position. This created political instability going forward and further uncertainty in the ability of the current administration to pass measures that it expects to implement. During this process, the sol weakened against the U.S. dollar and local currency bond yields rose.

In addition, on December 24, 2017 President Kuczynski used his constitutional presidential prerogative and pardoned former President Alberto Fujimori who was serving a 25 year sentence it is believed, in an attempt to gain support from the ruling majority in the Peruvian Congress. The move has triggered protests in Peru from different sectors of the Peruvian society and political parties. As of the date of this offering memorandum, there is no certainty as to the political consequences of such decision.

On March 8, 2018, a group of 30 congressmen (out of a total of 130) introduced a motion to hold a new impeachment proceeding against President Kuczynski. On March 15, 2018, the Peruvian Congress approved such motion with an affirmative vote of 87 members of Congress, and President Kuczynski was summoned to defend himself before Congress on March 22, 2018.

On March 21, 2018, President Kuczynski presented his resignation, due to allegations of corruption for vote-buying in connection with the impeachment proceeding against him. On March 23, 2018, Congress accepted his resignation and his first vice president, Martín Vizcarra, was sworn in as acting president. President Vizcarra has indicated that he will appoint his cabinet members in the coming days. We cannot assure you whether President Vizcarra will remain in office for the remainder of the presidential term, which ends in July 2021. If President Vizcarra and the current second vice president both resign, the president of Congress would become acting president and Congress would call for new elections, which may include both new presidential and congressional elections. The political instability caused by these events could affect macroeconomic conditions in the country, including currency volatility, as well as have a negative effect on our business and the price and volatility of the notes.

A devaluation of the sol could have a material adverse effect on our financial condition and results of operations.

A significant devaluation of the sol may affect us due to the fact that substantially all of our revenues are incurred in soles while 81% of our indebtedness, as of December 31, 2017, is denominated in U.S. dollars. Volatility in exchange rates may also increase the costs of our lease rates that we may not be able to pass on to our tenants; impair the purchasing power of our tenants' customers in different markets; result in significant competitive benefits to certain of our competitors who incur a greater part of their costs in other currencies than we do; hamper our pricing; or increase our hedging costs and limit our ability to hedge our exchange rate exposure.

Moreover, we are exposed to currency mismatch risks. Most of our debt is in U.S. dollars, while most of our revenues are in soles. As a result, a devaluation of the sol against the U.S. dollar and increased exchange volatility such as the one recently experienced due to political uncertainty would increase the cost of our debt service obligations, which could be exacerbated by acquisition debt and could have a material adverse effect on our financial condition and results of operations.

The re-implementation by the Peruvian government of restrictive exchange rate policies, and other laws could have an adverse effect on our business, financial condition and results of operations.

Since 1991, the Peruvian economy has undergone a major transformation from a highly protected and regulated system to a free market economy. During this period, protectionist and interventionist laws and policies have been dismantled. The Peruvian economy has responded to this transformation by growing at a compound average annual rate of 4.6% during the period from 1994-2017. Currently, foreign exchange rates are determined by market conditions, with regular open-market operations by the Peruvian Central Bank in the foreign exchange market to reduce volatility in the value of Peru's currency against the U.S. dollar.

We cannot assure you that the Peruvian government will not institute restrictive exchange rate policies in the future. Any such restrictive exchange rate policy could have a material adverse effect on our business, financial condition and results of operations and adversely affect our ability to repay debt or other obligations and restrict our access to international financing.

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

Increased inflation in Peru could have an adverse effect on the Peruvian long-term credit market as well as the Peruvian economy generally and, therefore, on our financial condition and results of operations.

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

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

The Peruvian congress and government regularly implement changes to tax laws that may increase our tax burden. These changes may include modifications in our taxable base, tax rates and, on occasion, the enactment of temporary taxes that in some cases have become permanent taxes. We are unable to estimate the outcomes that these changes may have on business. In that sense, the Peruvian government has recently introduced several changes related to transfer pricing rules and formal obligations in order to comply with BEPS (base erosion and profit shifting) Guidelines on transactions performed between related parties or with the intervention of low or no-tax jurisdictions, such as the obligation to file new local-files, master-files and country-by-country reports with the Peruvian tax authority, and to adjust taxable bases accordingly for income tax purposes.

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

Our operations could be adversely affected by an earthquake or other natural disasters.

Severe weather conditions and other natural disasters in areas in which we have shopping malls may materially adversely affect our operations. Peru is affected by *El Niño*, an oceanic and atmospheric phenomenon that causes a warming of temperatures in the Pacific Ocean, resulting in heavy rains off the coast of Peru and various other effects in other parts of the word. The effects of *El Niño*, which typically occurs every two to seven years, include flooding and the destruction of fish populations and agriculture, and accordingly have a negative impact on Peru's economy. For example, in early 2017, *El Niño* adversely affected agricultural production, transportation services, tourism and commercial activity, caused widespread damage to infrastructure and displaced significant populations. *El Niño* is expected to produce a 1.2% drop in GDP in 2017 relative to 2016 figures. The Peruvian government estimated that *El Niño* caused US$2.8 billion in damages in affected regions in the first half of 2017. Peru also is located in an area that experiences seismic activity and occasionally is affected by earthquakes. For example, in 2007, an earthquake with a magnitude of 7.9 on the Richter scale struck the central coast of Peru, severely damaging the region south of Lima. Such conditions may result in physical damage to our properties, closure of one or more of our shopping centers or our tenants stores, inadequate work forces in our markets, temporary disruptions in the supply of products to our tenants, delays in the delivery of goods to our tenants' stores and a reduction in the availability of products in our tenants' stores. In addition, adverse climate conditions (due to climate change or otherwise) and adverse weather patterns, such as droughts or floods that impact growing conditions and the quantity and quality of crops, may materially adversely affect the availability or cost of certain commodities or other products within our supply chain. Any of these factors may disrupt and materially adversely affect our operations.

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

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

The 2008 and 2009 global economic and financial crisis substantially affected the financial system, including Peru's securities market and economy. Additionally, the debt crisis in Europe that began with financial crises in Greece, Spain, Italy and Portugal, reduced the confidence of foreign investors, caused volatility in the securities markets and affected the ability of companies to obtain financing globally. Doubts about the pace of global growth, particularly in the United States, contributed to already weak international growth in 2011, 2012, and 2013. Brexit continues to create volatility and uncertainty in a number of financial markets. Any interruption to the recovery of developed economies, the continued effects of the global crisis in 2008 and 2009, a worsening or resurgence of the debt crisis in Europe, impacts due to Brexit or a new economic and/or financial crisis, or a combination of the above, could affect the Peruvian economy, and consequently, materially adversely affect our business. In particular, the Peruvian economy recently has suffered the effects of fluctuating commodity prices in the international markets, a decrease in export volumes, a decrease in foreign direct investment inflows and, as a result, a decline in foreign reserves and an increase in its current account deficit. Further, the United States has imposed new tariffs that could undermine economic growth and raise costs for manufacturers around the world

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

A decline in the prices of certain commodities in the international markets could have a material adverse effect on our financial condition and results of operations.

In 2016, traditional exports, in particular mineral products, fishing products, agricultural products and petroleum and its derivatives, represented 70.6% of Peru's total exports, according to the Peruvian Central Bank figures. Changes in commodity prices in the international markets, especially traditional minerals which represented 60.4% of exports by value as of the third quarter of 2017 (according to the Peruvian Central Bank), may have an adverse impact on government finances, which could affect both investor confidence and the sustainability of government expenditure and social programs. Thus, a decline in commodity prices could, ultimately, affect the political environment in Peru, especially as regional and local governments are particularly reliant on tax revenue from mining concerns. By potentially affecting private sector demand and investor confidence, lower commodity prices could also affect the retail sector, leading to, for example, a decline in purchasing power and consumer spending. A decline in commodity prices could also materially affect demand for our discretionary products as well as lower traffic.

Corruption and ongoing high profile corruption investigations may hinder the growth of the Peruvian economy and have a negative impact on our business and operations.

Peruvian authorities are currently conducting several high profile corruption investigations relating to the activities of certain Brazilian companies and its Peruvian partners in the construction and infrastructure sectors, which have resulted in suspension or delay of important infrastructure projects, which were otherwise operational and permitted. The overall delay relating to such projects has resulted in a drop in GDP growth and overall infrastructure investment.

In July 2017, former President Ollanta Humala and his wife were detained in connection with a corruption probe and in February 2018, a Peruvian judge submitted a request to extradite former president Alejandro Toledo on allegations of bribery, both in connection with Brazilian construction company Odebrecht SA. Furthermore, corruption and corruption investigations could directly affect the Peruvian government, divert resources that would otherwise be focused on developing the economy, create political instability, and result in slower or negative economic growth, such as has recently happened in Brazil. In turn, this could impact our ability to successfully implement our growth and expansion strategies.

Also, a group of congressmen opposed to the government called another vote to impeach President Kuczynski based on allegations that while serving as Minister of the Economy and Prime Minister in former President Alejandro Toledo's administration, he received payment of fees for financial advisory services from Odebrecht.

On March 8, 2018, a group of 30 congressmen (out of a total of 130) introduced a motion to hold a new impeachment proceeding against President Kuczynski. On March 15, 2018, the Peruvian Congress approved such motion with an affirmative vote of 87 members of Congress, and President Kuczynski was summoned to defend himself before Congress on March 22, 2018.

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See "—Economic, social and political developments in Peru including political instability, inflation and unemployment could have a material adverse effect on our business."

Risks Relating to the Notes and the Guarantees

The Issuer has no operations of its own.

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

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

We have, and after the offering of the notes will continue to have, a significant amount of indebtedness. As of December 31, 2017, our and our consolidated subsidiaries' outstanding indebtedness (excluding intercompany indebtedness) was S/1,192 million of which S/47.4 million was secured indebtedness owed by non-Guarantors. As of December 31, 2017, calculated on an as adjusted basis to give effect to this offering of notes, including the use of proceeds described below, as if all such transactions had occurred on December 31, 2017, we had S/1,723.8 million (US$531.9 million) of outstanding consolidated indebtedness (excluding intercompany indebtedness), of which S/47.4 million (US$14.6 million) was secured indebtedness and S/1,676.4 million (US$517.2 million) was owed by non-Guarantors. We anticipate that our substantial indebtedness will continue to exist, and may increase, in the foreseeable future. Furthermore, we are relying on our own resources for the repayment of our obligations and not on the intercompany loan that we intend to make to InRetail Peru Corp with part of the net proceeds from this offering. See "Related Party Transactions—Financing Transactions—Intercompany Loan" and "Use of Proceeds." Our substantial indebtedness, and the restrictions in the documents that govern our indebtedness, may have important negative consequences for you, including:

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

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

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

Subject to the limitations contained therein, the indenture allows us to incur additional debt that ranks on an equal and ratable basis with the notes. As part of investment plan we may incur significant additional indebtedness. See "Business—Expansion and Development Plan 2018 2023." If we incur any additional debt that ranks on an equal and ratable basis with the notes, the holders of that debt will be entitled to share ratably with the holders of the notes in any proceeds distributed in connection with an insolvency, liquidation, reorganization, dissolution or other winding-up of us subject to satisfaction of certain debt limitations. We may also incur additional debt that could mature prior to the notes. This may have the effect of reducing the amount of proceeds paid to you. Subject to certain limitations, we also have the ability to incur secured debt and such debt would be effectively senior to the notes to the extent of the value of the assets securing such debts. Any such additional debt could further exacerbate the risks of our indebtedness. See "Description of the Notes—Certain Covenants—Maintenance of Unencumbered Assets" and "— Limitation on Indebtedness."

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

The notes will not be guaranteed by all of our subsidiaries and therefore will be structurally subordinated to the outstanding indebtedness and other liabilities of any of our subsidiaries that do not become guarantors. In particular, the notes are not secured or guaranteed by the underlying properties themselves, as title or lease rights to the majority of our properties belong to Interproperties Peru, a non-guarantor subsidiary. If one of our subsidiaries who is not a guarantor were to be liquidated, the creditors of that subsidiary would be paid in full from the assets of the liquidated subsidiary before holders of notes would be paid from those assets. As of December 31, 2017, our and our consolidated subsidiaries' outstanding indebtedness (excluding intercompany indebtedness) was S/1,192 million of which S/47.4 million was secured indebtedness owed by non-Guarantors.

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

The notes and the guarantees are general unsecured obligations ranking effectively junior in right of payment to all of our and our guarantors' existing and future secured debt obligations to the extent of the value of the assets securing such debt. As of December 31, 2017, our and our consolidated subsidiaries' outstanding indebtedness (excluding intercompany indebtedness) was S/1,192 million of which S/47.4 million was secured indebtedness owed by non-Guarantors. In addition, the indenture governing the notes permits the incurrence of additional debt, some of which may be secured debt. In the event that the Issuer or a Guarantor is declared bankrupt, becomes insolvent or is liquidated or organized, creditors whose debt is secured by our assets and those of the Guarantors will be entitled to the remedies available to secured holders under applicable laws, including foreclosure on the assets securing such debt, before any payment may be made with respect to the notes or the relevant guarantees. As a result, there may be insufficient assets to pay amounts due on the notes and holders of the notes may receive less, ratably, than the holders of secured indebtedness.

Our obligations under the notes and the guarantees will be subordinated to certain statutory liabilities.

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

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

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

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

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

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

- issued such guarantee by means of misrepresentation;

- provided the guarantee with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;

- was insolvent or rendered insolvent by reason of such incurrence;

- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

- intended to provide, or believed that it would provide, the guarantee beyond our ability to repay it upon our maturity.

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

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

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

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

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

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

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

There are restrictions on your ability to transfer the notes.

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

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

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

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

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

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

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

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

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

The Issuer may redeem the notes, in whole or in part, prior to April 3, 2023, at a redemption price equal to the greater of (1) 100% of the principal amount of such notes and (2) the sum of the present value at such redemption date of (i) the redemption price of the notes on April 3, 2023 (such redemption price being set forth in the table below under "Description of the Notes—Option Redemption—Optional Scheduled Redemption") plus (ii) all required interest payments thereon through April 3, 2023 (excluding accrued but unpaid interest to the redemption date), discounted to the redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the treasury rate plus 50 basis points. The Issuer may also redeem the notes, in whole or in part, on or after April 3, 2023 at the redemption prices set forth herein. In addition, the Issuer may redeem the notes, in whole but not in part, at a price equal to 100% of the outstanding principal amount, plus accrued and unpaid interest, if any, to the date of redemption, and any additional amounts, in the event of certain changes in tax laws. At any time on or prior to April 3, 2021, the Issuer may also redeem up to 35% of the notes using the proceeds of certain equity offerings at the redemption price of 105.750% of the outstanding principal amount plus accrued and unpaid interest, if any, to the date of redemption. See "Description of the Notes—Optional Redemption." We may choose to redeem the notes at times when prevailing interest rates may be relatively low.

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

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

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

EXCHANGE RATES

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

	Soles per US$[1]			
Year ended December 31 / Month ended	High	Low	Average[2]	Period Ending
2013	2.820	2.540	2.702	2.795
2014	2.988	2.761	2.838	2.986
2015	3.411	2.982	3.184	3.411
2016	3.537	3.249	3.375	3.356
2017	3.289	3.231	3.246	3.241
April 2018	3.273	3.208	3.238	3.250

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

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

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

USE OF PROCEEDS

The gross proceeds from the sale of the notes are estimated to be US$350 million, before deducting certain transaction expenses (including fees and commissions payable to the initial purchasers).

We expect to use the net proceeds from the offering together with the proceeds from the Peruvian Offering as follows: (i) to cancel all outstanding 2021 Notes in an aggregate principal amount of US$299,186,000, excluding transaction costs and premium, by purchasing any and all 2021 Notes validly tendered, not withdrawn and accepted for purchase, pursuant to the Offer to Purchase and Consent Solicitation Statement, or by redeeming any 2021 Notes not so tendered pursuant to a subsequent redemption (See "Summary—Concurrent Tender Offer of the 2021 Notes and Consent Solicitation"); (ii) to make a loan of US$125 million to InRetail Peru Corp, which holds common stock of our Parent Guarantor (See "Related Party Transactions—Financing Transactions—Intercompany Loan"), for partial repayment of its bridge loan incurred by its subsidiary, Eckerd S.A. (Inkafarma), to finance the acquisition of Quicorp S.A. (See "Plan of Distribution—Relationships with the Initial Purchasers"); and (iii) the remainder, if any, for general corporate purposes, including capital expenditures.

CAPITALIZATION

The following table sets forth on a consolidated basis our cash and cash equivalents and our capitalization as of December 31, 2017:

- on a historical basis for the Company; and
- on an as adjusted basis to give effect to (i) the issuance of US$350,000,000 notes offered hereby, (ii) the issuance of S/313,500,000 notes offered contemporaneously, and (iii) the purchase or redemption of 2021 Notes in an amount of US$299.2 million.

You should read this table in conjunction with "Use of Proceeds," "Summary—Concurrent Tender Offer of the 2021 Notes and Consent Solicitation," "Selected Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes thereto included elsewhere in this offering memorandum.

	As of December 31, 2017			
	Historical	As adjusted	Historical	As adjusted
	(US$ in millions)(1)		(S/ in millions)(1)	
Cash and cash equivalents(2)	**79.6**	**79.6**	**258.1**	**258.1**
Short-term debt:				
Financial obligations	13.9	13.9	45.2	45.2
Total short-term debt	**13.9**	**13.9**	**45.2**	**45.2**
Long-term debt:				
Financial obligations	354.1	71.2	1,147.6	230.7
Of which:				
Other financial obligations	29.4	29.4	95.3	95.3
2021 Notes(3)	282.9	0.0	916.9	0.0
Sol-denominated notes due 2034	41.8	41.8	135.4	135.4
Sol-denominated notes offered contemporaneously	-	96.7	-	313.5
Notes offered hereby	-	350	-	1,134.4
Total long-term debt	**354.1**	**517.9**	**1,147.6**	**1,678.6**
Total debt(4)	**368.0**	**531.8**	**1,192.8**	**1,723.8**
Shareholders' equity:				
Capital stock	455.3	455.3	1,475.7	1,475.7
Unrealized results on financial instruments	1.1	1.1	3.7	3.7
Retained earnings	196.7	196.7	637.6	637.6
Non-controlling interest	0.0	0.0	0.0	0.0
Total shareholders' equity	**653.2**	**653.2**	**2,117.0**	**2,117.0**
Total capitalization	**1,021.2**	**1,185.0**	**3,309.8**	**3,840.0**

(1) Translated to U.S. dollars for convenience only at the rate of S/ 3.241 = US$1.00, the exchange rate reported on December 31, 2017 by the SBS. See "Exchange Rates."

(2) Cash and cash equivalents includes cash and investments at fair value through profit or loss, and it has not been adjusted to reflect the purchase of Real Plaza Pucallpa, Real Plaza Estación Central and Lurin II during the first quarter of 2018.

(3) The face amount outstanding equals US$299.2 million.

(4) Other than the Sol-denominated notes due 2034 and the 2021 Notes, total debt as of December 31, 2017 consisted primarily of local financial leases and term loans, including the S/47.4 million of a lease relating to Chiclayo and S/49.8 million of a loan from Scotiabank.

SELECTED FINANCIAL INFORMATION

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

	For the year ended December 31,			
Statement of Income data:	**2017**	**2017**	**2016**	**2015**
	(US$ in millions)[1]		**(S/ in millions)**	
Rental income	101.4	328.8	317.2	295.9
Income from management services[2]	45.4	147.1	140.7	139.2
Cost related to income from management services[2]	(34.6)	(112.1)	(109.1)	(106.5)
Net rental income	**112.2**	**363.7**	**348.8**	**328.6**
Cost of rental income	(13.8)	(44.7)	(34.0)	(28.0)
Gross profit	**98.4**	**319.0**	**314.8**	**300.6**
Fair value adjustments to investment properties	3.5	11.4	11.1	37.6
Selling and administrative expenses	(11.2)	(36.4)	(32.6)	(33.0)
Other income (expenses) net	2.4	7.8	0.5	(3.8)
Operating profit	**93.1**	**301.8**	**293.7**	**301.3**
Financial expense, net	(33.0)	(106.9)	(113.5)	(103.5)
Exchange difference, net	2.5	8.0	3.9	(81.0)
Profit before income tax	**62.6**	**202.9**	**184.1**	**116.9**
Income tax[3]	(20.3)	(65.9)	(56.1)	(7.2)
Net profit	**42.3**	**137.1**	**127.9**	**109.6**

(1) Translated to U.S. dollars for convenience only at the rate of S/3.241 = US$1.00, the exchange rate reported on December 31, 2017 by the SBS. See "Exchange Rates."
(2) Includes operating costs for the maintenance and management of our shopping malls billed directly to tenants.
(3) The Issuer will pay income tax only upon the distribution of profits from operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of December 31,			
	2017	**2017**	**2016**	**2015**
	(US$ in millions)[1]	**(S/ in millions)**		
Statement of financial position data:				
Assets				
Cash and cash equivalents	17.3	56.0	48.9	46.0
Investments at fair value through profit or loss	62.3	202.0	90.3	35.0
Investments at fair value through other comprehensive income	17.4	56.4	57.5	47.2
Accounts receivables[2]	31.2	101.2	94.6	95.9
Prepaid expenses	1.6	5.2	2.4	0.5
Recoverable taxes	3.1	10.0	19.3	21.8
Total current assets	**132.9**	**430.9**	**313.0**	**246.3**
Investment properties[3]	988.1	3,202.4	3,105.5	2,925.5
Derivative financial instrument	9.3	30.3	55.9	62.5
Recoverable taxes	5.0	16.2	50.3	77.6
Other non-current assets[4]	4.5	14.7	14.5	13.8
Total non-current assets	**1,007.0**	**3,263.5**	**3,226.2**	**3,079.4**
Total assets	**1,139.9**	**3,694.4**	**3,539.2**	**3,325.7**
Liabilities				
Accounts payables	9.8	31.9	31.2	30.8
Other liabilities[5]	25.9	84.0	77.9	61.5

	As of December 31,			
	2017	2017	2016	2015
	(US$ in millions)(1)	(S/ in millions)		
Current portion of financial obligations.............	13.9	45.2	44.5	43.3
Total current liabilities....................................	**49.7**	**161.1**	**153.5**	**135.6**
Financial obligations..	354.1	1,147.6	1,212.2	1,204.2
Deferred income tax liabilities...........................	8.5	27.5	19.1	17.7
Other liabilities(6)	74.4	241.2	189.8	142.8
Total non-current liabilities	**437.0**	**1,416.3**	**1,421.1**	**1,364.7**
Total liabilities	**486.7**	**1,577.4**	**1,574.6**	**1,500.3**
Capital stock	455.3	1,475.7	1,475.7	1,475.7
Unrealized results	1.1	3.7	(11.7)	(32.2)
Retained earnings	196.7	637.6	500.6	375.5
Non-controlling interest.....................................	-	-	-	6.4
Total equity	**653.2**	**2,117.0**	**1,964.6**	**1,825.4**

(1) Translated to U.S. dollars for convenience only at the rate of S/3.241= US$1.00, the exchange rate reported on December 31, 2017 by the SBS. See "Exchange Rates."
(2) Includes trade receivables, accounts receivables from related parties and other receivables. See notes 7, 8 and 27(b) to the consolidated financial statements and related notes elsewhere in this offering memorandum.
(3) Includes the impact of marking our investment property valuations to market.
(4) Includes facilities, furniture and equipment, deferred income tax and other assets. See notes 11 and 13 to the consolidated financial statements and related notes elsewhere in this offering memorandum.
(5) Includes accounts payable to related parties and other liabilities. See notes 15 and 27(b) to the consolidated financial statements and related notes elsewhere in this offering memorandum.
(6) Includes income tax related to special purpose entity, long-term trade accounts payables and other long-term liabilities. See notes 14, 15 and 26(f) to the consolidated financial statements and related notes elsewhere in this offering memorandum.

In this offering memorandum, we present certain non-IFRS measures, particularly Adjusted EBITDA and Adjusted EBITDA margin. A non-IFRS measure is generally defined as one that purports to measure financial performance but excludes or includes amounts that would not be so adjusted in the most comparable IFRS measure. We define Adjusted EBITDA as operating profit, plus depreciation and amortization, adjusted for the impact of marking to market the valuations of our investment properties. We define Adjusted EBITDA margin as Adjusted EBITDA divided by net rental income. We present Adjusted EBITDA and Adjusted EBITDA margin because we believe they provide investors with supplemental measures of the financial performance of our operations that facilitate period to period comparisons on a consistent basis. Our management also uses Adjusted EBITDA and Adjusted EBITDA margin from time to time, among other measures, for internal planning and performance measurement purposes. Adjusted EBITDA and Adjusted EBITDA margin should not be construed as alternatives to net profit or operating profit, as indicators of operating performance or as alternatives to cash flow provided by operating activities (in each case, as determined in accordance with IFRS). The calculations of these measures in this Offering Memorandum may not be the same as the definitions used for the calculations of the covenants under the notes. See "Description of the Notes." Adjusted EBITDA and Adjusted EBITDA margin, as calculated by us, may not be comparable to similarly titled measures reported by other companies.

The reconciliations of net profit and operating profit for the periods indicated below to Adjusted EBITDA are as follows:

	For the year ended December 31,			
	2017	2017	2016	2015
	(US$ in millions)(1)(2)		(S/in millions)(1)	
Net profit	**42.3**	**137.1**	**127.9**	**109.6**
Add back net financial expenses	(33.0)	(106.9)	(113.5)	(103.5)
Add back exchange difference, net	2.5	8.0	3.9	(81.0)
Add back income tax	(20.3)	(65.9)	(56.1)	(7.2)
Operating profit	**93.1**	**301.8**	**293.7**	**301.3**
Add back depreciation and amortization	(1.2)	(3.7)	(3.6)	(2.9)
Add back impact of marking our investment properties to market(3)	3.5	11.4	11.1	37.6
Adjusted EBITDA	**90.8**	**294.1**	**286.2**	**266.7**
Adjusted EBITDA Margin	**80.9%**	**80.9%**	**82.1%**	**81.2%**

(1) Except percentages.
(2) Translated to U.S. dollars for convenience only at the rate of S/3.241 = US$1.00, the exchange rate reported on December 31, 2017 by the SBS. See "Exchange Rates."
(3) We mark to market the valuations of our investment properties quarterly. All of our owned shopping malls are investment properties. For additional information, see notes 11(d) and 12 to the consolidated financial statements and related notes elsewhere in this offering memorandum.

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

Overview

We are the leading shopping mall operator in Peru. We are the largest owner, developer and operator of shopping malls based on gross leasable area ("GLA"), number of shopping malls and tenants' sales. Under our Real Plaza brand, we operate 21 shopping malls with 670,393 m^2 of GLA. Based on our internal estimates, our diversified portfolio of shopping malls attracts the highest amount of consumer foot traffic in Peru, due to our unique combination of prime locations and highly recognized tenants' retail brands.

We strive to grow our business organically by taking advantage of shopping mall development opportunities throughout Peru, expanding our reach across socioeconomic segments and geographic markets. Our first shopping mall began to operate in 2001 (Primavera), and our GLA has since increased almost 68 fold as of December 31, 2017. Our investment plan from 2018 to 2023 contemplates approximately 370,000 m^2 of additional GLA. It includes the construction of four new shopping malls in Lima (Puruchuco, San Isidro, San Juan de Lurigancho and Higuereta), as well as the expansion of four of our existing shopping malls (Primavera, Cusco, Chiclayo and Trujillo) which would increase our GLA at a low cost and with low execution risk. Our expertise in selecting, securing, developing and operating these and other locations is a key profitability and growth driver of our business.

We are a nationwide operator with strategic locations in both Lima and the largest provinces in Peru. Our prime locations and expertise have allowed our shopping malls to attract and maintain an appealing tenant mix, to keep high occupancy rates, and to serve as shopping and entertainment destinations for Peruvian families. We were the first shopping mall operator to open a mall outside of Lima in 2006. Furthermore, we have been the first shopping mall operator to open a mall in seven of the 12 cities (in addition to Lima) in which we are currently present, and we are still the only shopping mall present in major cities like Cusco, Juliaca and Sullana. Our broad portfolio, diversified asset base, and first mover advantage have allowed us to maintain high occupancy rates of close to 96% as of December 31, 2017, and a high weighted average yield of approximately 15%, measured as net operating income over invested capital. As of December 31, 2017, the total value of our investment properties was US$988.1 million (S/3,202.4 million), and our total assets were US$1,139.9 million (S/3,694.4 million).

We believe we are in a very strong position to continue capitalizing on our investments in GLA and Peru's consumption growth, to secure predictable cash flows and increase our revenues and profitability. For December 31, 2017, our Adjusted EBITDA was S/294.1 million, our net rental income was S/363.7 million, and our net profit was S/137.1 million.

We believe that Peru offers attractive opportunities for significant growth based on its macroeconomic prospects, stable investment environment, favorable demographic trends and emerging middle class, combined with a retail sector that is underpenetrated by modern formats. Peru has been one of Latin America's fastest growing countries in terms of real GDP growth with average annual real GDP growth over 4.0% from 2012 to 2017, according to the Economist Intelligence Unit (the "EIU").

Macroeconomic stability set the basis for a socioeconomic transformation, with approximately 18% of the Peruvian population, nearly 5.6 million people, having risen above the poverty level between 2007 to 2016, and the upper and middle classes (roughly equivalent to the A, B and C socioeconomic segments) having expanded from approximately 26% of households in 2007 to approximately 40% in 2016, incorporating 5.3 million people into the upper and middle classes. As of 2016, 61.5% of Peru's population was younger than 35 years of age, according to the Instituto Nacional de Estadística e Informática (INEI), Peru's national institute of statistics and data. We focus on meeting the growing needs of Peruvian consumers who, as they become wealthier and demand higher quality products and services, are shifting towards modern, formal retailers and away from the country's traditional retail sector.

This favorable context has enabled Intercorp Peru, our ultimate parent company, to become a large and prominent Peruvian group with one of the most diversified business portfolios in Peru, with activities spanning financial services, retail, real estate, education, entertainment, tourism, restaurants, and industrial operations. As of and for the year ended December 31, 2017, Intercorp Peru had more than 64 thousand employees and over US$7.0

billion in combined market capitalization for its two listed companies, Intercorp Financial Services and InRetail Peru Corp.

Trends and Factors Affecting Our Results of Operations

Developments in the Peruvian Economy

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

According to the IMF, Peruvian real GDP grew 2.7% and 4.0% in 2017 and 2016 respectively and is among the highest growth rates in Latin America. The main driver of Peru's economic performance has been strong government investment.

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

	2017e	**2016**	**2015**
Peruvian real GDP growth rate	2.7%	4.0%	3.3%
Private consumption (real growth)	2.4%	3.3%	4.0%
Reference interest rate	3.25%	4.25%	3.75%
Primary fiscal balance (% of GDP)	(1.5)%	(2.7)%	(4.8)%
CPI Index	1.4%	3.6%	3.5%

*2017 indicators are projections
Sources: IMF.

In August 2013, S&P upgraded Peru's credit rating from BBB to BBB+. In October 2013, Fitch upgraded Peru's credit rating from BBB to BBB+. In July 2014, Moody's upgraded Peru's credit rating from Baa2 to A3. As of January 2018, all rating agencies maintain a stable outlook due to the fiscal strength and the good performance of external balances. Peru's credit ratings are subject to periodic review and we cannot assure you that the current ratings will not be revised or lowered in the future.

Peru's foreign reserves, which help the country preserve economic and financial stability, amounted to US$64.7 billion in December 2017, an increase of US$3.0 billion compared to December 2016, as reported by the IMF. This result is due to an increase in foreign deposits in the financial system and due to higher commodities prices.

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

Competition

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

Seasonality

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

New Openings and Expansions

We acquired Lurin II and the Real Plaza Pucallpa and Estación Central shopping malls, which we previously operated, in the first quarter of 2018. During 2017, we expanded three shopping malls (increasing our GLA by 8,281 m^2) including expanding the Real Plaza Chimbote, Piura and Real Plaza Trujillo shopping malls. Additionally, during 2016, we expanded three shopping malls (increasing our GLA by 12,785 m^2) including expanding the Real Plaza Trujillo, Real Plaza Huancayo and Real Plaza Piura shopping malls. We also invested in Real Plaza Villa María through a contractual agreement with Supermercados Peruanos inaugurated in December 2016, and that has less than 18 months of operations. During 2015, we expanded three shopping malls (increasing our GLA by 14,446 m2) including expanding the Real Plaza Chiclayo, Real Plaza Guardia Civil and Real Plaza Centro Cívico shopping malls. We also purchased Real Plaza Sullana with 14,342 m^2. These openings were primarily funded by a combination of operating cash flow and bank loans. Although we believe that new shopping malls have on average an 18-month lag period before fully contributing to our revenues, this opening and these expansions have been the main drivers of our organic sales growth.

The table below shows various metrics related to the growth in our GLA from 2012 through March 2018.

GLA evolution	2012	2013	2014	2015	2016	2017	March 2018
Number of shopping malls owned or leased(1)	12	15	17	18	19	19	21
GLA operated, owned or leased (in '000 of m^2).........................	278.7	398.6	553.4	582.2	624.6	632.9	670.4
GLA additions (in '000 of m^2) ...	55.6	119.9	154.8	28.8	42.4	8.3	37.5
Number of shopping malls operated (owned or leased by related parties)(1).....................	3	3	3	2	2	2	-
GLA operated (owned or leased by related parties) (2)...............	53.5	59.6	53.7	38.2	38.2	37.5	-
GLA additions (in '000 of m^2)....	3.0	6.1	(5.9)	(15.4)	-	(0.8)	-
Total # of Real Plaza shopping malls.......................................	15	18	20	20	21	21	21
Total Real Plaza GLA (in '000 of m^2)..	332.1	458.1	607.1	620.5	662.9	670.4	670.4

(1) In January 2018 we acquired the Real Plaza Pucallpa and Estación Central shopping malls, which we previously operated, from a related party, Interseguro.
(2) Decrease in 2015 due to the purchase of a shopping mall from a related party.

Lease Expirations

Our capacity to re-lease space when leases expire can impact our results of operations and is affected by economic conditions in Peru and the level of competition we face. We have low concentration of lease maturities. The leases that expire during 2018 represent approximately 8.2% of our total leased area and 19.2% of our fixed rental income. In addition, the majority of contracts expiring between 2018 and 2021 are with small tenants, which typically have shorter maturities and the highest lease rates. It is an integral part of our strategy to constantly seek to optimize our small tenant mix to differentiate the commercial offering of our malls and maximize our rental revenue. The table below illustrates our total lease expiration profile as of December 31, 2017:

Renewal schedule of leases

As of December 31, 2017	2018	2019	2020	2021	2022	2023	2024	2025-2050
Fixed rental income (S/in millions)	54.4	48.6	35.2	13.3	12.5	8.9	4.8	106.3
As % of total fixed rental income	19.2%	17.1%	12.4%	4.7%	4.4%	3.1%	1.7%	37.4%
Leased Area (in '000 m^2)...............	53.9	47.2	45.2	14.9	20.3	13.1	8.6	453.7
As % of total leased area.............	8.2%	7.2%	6.9%	2.3%	3.1%	2.0%	1.3%	69.1%
# of contracts expiring.................	818	546	320	143	78	50	26	137

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

	As of December 31,						
Average occupancy rate	**2008**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Average occupancy rate (%)........	84.7%	92.3%	93.2%	94.6%	97.0%	97.2%	96.8%

Critical Accounting Policies

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

Investment Properties

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

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

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

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

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

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

Impairment of Non-Financial Assets

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

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

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

Taxes

Under Peruvian law, our legal structure permits the deferral of all income taxes until profits are effectively distributed to the Parent Guarantor. As such, since we have not distributed profits in the fiscal years ending 2017, 2016 and 2015, we register a provision for income tax in our income statement which is added-back in our cash flow statement.

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

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

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

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

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

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

- When a deferred tax liability arises from the initial recognition of goodwill, or of an asset or a liability in a transaction that does not constitute a business combination and that, at the moment of the transaction, does not affect accounting profits and non-taxable profit.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of their reversion can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

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

- When the value added tax incurred in an asset acquisition or in the rendering of services is not recoverable with the tax authority, in which case said tax is recognized as part of the acquisition cost of the asset or as part of the expense, as applicable.

- The accounts receivable and accounts payable that are already expressed, including the amount of the value added tax.

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

Revenue Recognition

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

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

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

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

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

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

Recognition of Costs and Expenses

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

Rentals paid in advance for landlord leases are recognized in our results according to an accrual basis, in the "Real estate services cost" caption, from the conclusion of the works of the shopping mall project to the final maturity of our lease contracts.

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

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

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

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

Fair Value Measurement

We measure our investment properties at fair value at each date of the consolidated statements of financial position, see note 3.2(i) and 12. Also, we have financial instruments measured at fair value through profit and loss and through other comprehensive income which is disclosed in note 3.2(b), 5 and 6 to our audited annual consolidated financial statements. Also, the fair value of financial instruments measured at amortized cost is disclosed in note 30 to our audited annual consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

New Accounting Standards

We adopt new accounting standards and amendments and improvements to the standards, if applicable, when they become effective. With respect to announced changes to accounting standards see note 3.4 to our audited annual consolidated financial statements.

Results of Operations

General

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

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

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

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

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

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

Fair Value Adjustment to Investment Properties. These are recorded as a result of measuring our investment properties to market value. Adjustment results from recognizing gains or losses arising from changes in the fair value of the investment properties at each date of our consolidated statements of financial position. See notes 12(b) and 12(e) of our consolidated financial statements for further detail.

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

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

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

Income Statement

Year ended December 31, 2017 Compared to the Year ended December 31, 2016

The following table sets forth the principal components of net profit for the years ended December 31, 2017 and 2016:

	For the year ended December 31,			
	2017	**2016**	**Variation**	**% Variation**
	(S/in millions)	**(S/in millions)**	**(S/in millions)**	
Rental Income	328.8	317.2	11.6	3.7%
Fixed rental income	262.9	254.4	8.5	3.3%
Variable rental income	46.3	41.3	4.9	11.9%
Key money	7.0	9.4	(2.4)	(25.6%)
Rent of space for publicity	12.6	12.0	0.6	5.0%
Income from management services	147.1	140.7	6.4	4.5%
Cost related to income from management services	(112.1)	(109.1)	(3.1)	2.9%
Net Rental Income	**363.7**	**348.8**	**14.9**	**4.3%**
Cost of rental income	(44.7)	(34.0)	(10.7)	31.4%
Gross Profit	**319.0**	**314.8**	**4.2**	**1.3%**
Fair value adjustment to investment properties	11.4	11.1	0.4	3.3%
Selling and administrative expenses	(36.4)	(32.6)	(3.8)	11.5%
Other income (expenses), net	7.8	0.5	7.3	1,609.7%
Operating Profit	**301.8**	**293.7**	**8.1**	**2.8%**
Financial expenses, net	(106.9)	(113.5)	6.7	(5.9%)
Exchange difference, net	8.0	3.9	4.1	106.2%
Profit before Income Tax	**202.9**	**184.1**	**18.9**	**10.3%**
Income tax	(65.9)	(56.1)	(9.7)	17.3%
Net Profit	**137.1**	**127.9**	**9.1**	**7.1%**

Overview

Net profit for the year ended December 31, 2017 increased 7.1% when compared to 2016, primarily due to (i) an increase in operating profit of S/8.1 million, (ii) a decrease in net financial expenses of S/6.7 million and (iii) an increase in net exchange difference of S/4.1 million due to a higher depreciation of the sol during 2017 compared to 2016.

Rental Income

Rental income increased S/11.6 million, or 3.7%, from S/317.2 million for the year ended December 31, 2016 to S/328.8 million for 2017. This growth is explained mainly by (i) the expansions of Huancayo, Trujillo and Piura during 2016 and 2017 with an additional 15,386 m^2 of GLA and (ii) an increase in rental income of 1.7% in our shopping malls without expansions in terms of GLA. Expansions during 2016 had a full year effect in the 2017 financial results.

Income from Management Services

Income from management services increased S/6.4 million, or 4.5%, from S/140.7 million for the year ended December 31, 2016 to S/147.1 million for 2017. This growth is mainly explained by (i) the opening of Real Plaza Villa María shopping mall in December 2016 and (ii) the additional GLA of 15,386 m^2 due to expansions carried out in 2016 and 2017.

Cost Related to Income from Management Services

Cost related to income from management services increased S/3.1 million, or 2.9%, from S/109.1 million for the year ended December 31, 2016 to S/112.1 million for 2017. Cost related to income from management services as a percentage of income from management services decreased from 77.5% to 76.2% for the year ended December 31, 2017 compared to 2016. This decrease is explained by the full year effect of energy efficiencies due to an agreement celebrated with an energy supplier in the last quarter of 2016.

Net Rental Income

We use net rental income as a metric to estimate our income excluding expenses associated with the management of our shopping malls such as common expenses, which are billed to our tenants. Our net rental income increased from S/348.8 million to S/363.7 million for the year ended December 31, 2017 when compared to 2016, mainly as a result of an increase in rental income by S/11.6 million or 3.7%.

Cost of Rental Income

Cost of rental income increased S/10.7 million, or 31.4%, from S/34.0 million for the year ended December 31, 2016 to S/44.7 million for 2017. Cost of rental income as a percentage of net rental income increased from 9.7% to 12.3%. This increase was primarily due to higher groundlease rent expenses paid to La Marina de Guerra Del Peru, Salaverry’s land owner, who began receiving variable rent payments in December 2016.

Gross Profit

Our gross profit increased from S/314.8 million to S/319.0 million for the year ended December 31, 2017 when compared to 2016.

The table below shows our gross profit by shopping mall:

	For the year ended December 31,			
	2017	2016	Variation	% Variation
	(S/in millions)	(S/in millions)	(S/in millions)	
Salaverry	58.2	66.3	(8.1)	(12.2%)
Centro Cívico	33.3	30.4	2.9	9.5%
Chiclayo	30.2	29.8	0.4	1.3%
Cusco	27.3	26.9	0.5	1.7%
Piura	22.1	19.5	2.6	13.6%
Primavera	21.6	21.4	0.3	1.3%
Huancayo	19.7	20.1	(0.4)	(2.0%)
Trujillo	17.5	14.4	3.1	21.2%
Juliaca	16.0	16.4	(0.4)	(2.2%)
Pro	12.5	10.9	1.6	14.6%
Huánuco	12.3	12.6	(0.3)	(2.3%)
Santa Clara	11.6	11.7	(0.1)	(0.6%)
Arequipa	10.8	11.2	(0.4)	(3.4%)
Cajamarca	9.5	9.3	0.2	1.7%
Guardia Civil	7.9	7.8	0.0	0.4%
Sullana	4.3	4.4	(0.1)	(2.0%)
Unión	1.6	1.8	(0.2)	(10.7%)
Other[1]	2.5	0.1	2.4	n.m.%
Total	**319.0**	**314.8**	**4.2**	**1.3%**

(1) Includes Nuevo Chimbote.

Fair Value Adjustment to Investment Properties

Under IFRS, we elect to measure our investment properties to fair market value on a quarterly basis. Fair value adjustments to investment properties as of December 31, 2017 were S/11.4 million, an increase of 3.3%, compared to S/11.1 million in 2016. This positive fair value adjustment in 2017 is mainly explained by value increase in value of Piura, Trujillo, Santa Clara, Pro and Salaverry and the opening of Real Plaza Villa Maria, that was partially offset by decreases in the fair values of Arequipa and Huancayo due to lower performance because of stronger competition. We measure our investment properties at fair value at each date of the consolidated statements of financial position, see note 12 to our audited annual consolidated financial statements.

Selling and Administrative Expenses

The following table sets forth the principal components of selling and administrative expenses for the years ended December 31, 2017 and 2016:

	For the year ended December 31,			
	2017	2016	Variation	% Variation
	(S/in millions)	(S/in millions)	(S/in millions)	
Selling and Administrative Expenses				
Personnel expenses	(20.5)	(14.8)	(5.7)	38.5%
Professional fees	(4.7)	(9.1)	4.4	(48.2%)
Depreciation and amortization	(3.7)	(3.6)	(0.2)	4.9%
Others	(7.4)	(5.1)	(2.3)	44.2%
Total Expenses	**(36.4)**	**(32.6)**	**(3.8)**	**11.5%**

Selling and administrative expenses grew S/3.8 million, or 11.5%, from S/32.6 million for the year ended December 31, 2016 to S/36.4 million for the year ended December 31, 2017. This variation is due mainly to (i) personnel expenses which grew S/5.7 million, as a result of the headcount increase in areas such as innovation and operations (ii) the incorporation of an accounting and financial team from InRetail Management, the former partner of Real Plaza to Real Plaza, and (iii) an increase of expenses related to the operation of these new areas (licenses, travel expenses, among others).

Other Income (expenses), Net

Other income (expenses), net increased S/7.3 million, from S/0.5 million for the year ended December 31, 2016 to S/7.8 million for 2017. This increase is explained by (i) the opening of Real Plaza Villa María in January 2017 with 30,219 m^2 of GLA, in which Interproperties Holding II has a participation in results in accordance with a Joint Venture Agreement; and (ii) the capital gain obtained from the sale of 887 m^2 of adjacent land in the Puruchuco project.

Adjusted EBITDA

The following table sets forth the Adjusted EBITDA for the years ended December 31, 2017 and 2016:

	For the year ended December 31,		
	2017	**2016**	**%Variation**
Net Profit	137.1	127.9	7.1%
Add back net financial expenses........................	(106.9)	(113.5)	(5.9%)
Add back exchange difference, net	8.0	3.9	106.2
Add back income tax	(65.9)	(56.1)	17.3%
Operating profit	**301.8**	**293.7**	**2.8%**
Add back depreciation and amortization	(3.7)	(3.6)	4.9%
Add back impact of marking our investment properties to market	11.4	11.1	3.3
Adjusted EBITDA	**294.1**	**286.2**	**2.8%**

Adjusted EBITDA increased by 2.8% for the year ended December 31, 2017 compared to 2016, mainly as a result of higher gross profits due to the opening of Real Plaza Villa María shopping mall in December 2016 and the expansion of three shopping malls Huancayo, Trujillo and Piura in 2016 and 2017.

Adjusted EBITDA Margin

The following table sets forth the Adjusted EBITDA Margin for the years ended December 31, 2017 and 2016:

	For the year ended December 31,		
	2017	**2016**	**%Variation**
Adjusted EBITDA Margin...............................	**80.9%**	**82.1%**	**(1.5%)**

We calculate our Adjusted EBITDA margin as Adjusted EBITDA as a percentage of net rental income. We use this metric to measure the operational profitability of our business. Adjusted EBITDA margin for the year ended December 31, 2017 was 80.9%, compared to 82.1% for 2016. The decline of this margin was due mainly to higher rent expenses coming from Real Plaza Salaverry, who began receiving variable rent payments in December 2016.

Financial Income

Financial income increased S/1.5 million, or 24.5%, as a result of higher cash balances in 2017 in comparison to 2016.

Financial Expenses

Financial expenses decreased S/5.1 million, or 4.3%, from S/119.8 million in 2016 to S/114.6 million in 2017. This variation is mainly explained by lower interest expenses as result of the amortization of bank loans.

Exchange Difference, Net

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

The exchange difference gain for the year ended December 31, 2016 was S/3.9 million, explained by a decrease in the average exchange rate from S/3.413 soles per US$1.00 as of December 31, 2015 to S/3.360 soles per US$1.00 as of December 31, 2016.

The exchange difference gain for the year ended December 31, 2017 was S/8.0 million, explained by a decrease in the average exchange rate from S/3.360 soles per US$1.00 as of December 31, 2016 to S/3.245 soles per US$1.00 as of December 31, 2017.

Income Tax

We estimate income tax based on our profit from leasing revenues and capital gains tax from realized gains or losses in the values of our investment properties. Income tax increased S/9.7 million, or 17.3%, from S/56.1 million for 2016 to S/65.9 million for 2017, due mainly to (i) the expansions of Huancayo, Trujillo and Piura during 2016 and 2017 with an additional 15,386 m^2 of GLA; (ii) an increase in rental income of 1.7% of comparable shopping malls in terms of GLA, (iii) the opening of Real Plaza Villa María shopping mall; and (iv) the capital gain obtained with the sale of 887 m^2 of adjacent land in the Puruchuco project.

The effective income tax rate increased from 30.5% in the year ended December 31, 2016 to 32.5% in the year ended December 31, 2017. The higher effective income tax rate is explained mainly by a higher statutory corporate tax rate as of January 2017 (29.5% compared to 28.0% in 2016) and adjustments in the deferred tax related to InRetail Shopping Malls in 2016.

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

Year ended December 31, 2016 Compared to the Year ended December 31, 2015

The following table sets forth the principal components of net profit for the years ended December 31, 2016 and 2015:

	For the year ended December 31,			
	2016	**2015**	**Variation**	**% Variation**
	(S/in millions)	**(S/in millions)**	**(S/in millions)**	
Rental Income	317.2	295.9	21.2	7.2%
Fixed rental income	254.4	238.4	16.0	6.7%
Variable rental income	41.3	37.3	4.0	10.8%
Key money	9.4	7.4	2.0	26.4%
Rent of space for publicity	12.0	12.7	(0.8)	(6.1%)
Income from management services	140.7	139.2	1.5	1.1%
Cost related to income from management services	(109.1)	(106.5)	(2.5)	2.4%
Net Rental Income	**348.8**	**328.6**	**20.2**	**6.2%**
Cost of rental income	(34.0)	(28.0)	(6.0)	21.3%
Gross Profit	**314.8**	**300.6**	**14.2**	**4.7%**
Fair value adjustment to investment properties	11.1	37.6	(26.5)	(70.6%)
Selling and administrative expenses	(32.6)	(33.0)	0.4	(1.2%)
Other income (expenses), net	0.5	(3.8)	4.2	n.m.
Operating Profit	**293.7**	**301.3**	**(7.6)**	**(2.5%)**
Financial expenses, net	(113.5)	(103.5)	(10.0)	9.7%
Exchange difference, net	3.9	(81.0)	84.8	(104.8%)
Profit before Income Tax	**184.1**	**116.9**	**67.2**	**57.5%**
Income tax	(56.1)	(7.2)	(48.9)	677.6%
Net Profit	**127.9**	**109.6**	**18.3**	**16.7%**

Overview

Net profit for the year ended December 31, 2016 increased 16.7% when compared to 2015, primarily due to (i) the depreciation of the sol during 2016 with a positive impact of S/3.9 million compared to a loss of S/81.0 million in 2015; and (ii) a decrease of S/7.6 million, or 2.5%, in operating profit for the year ended December 31, 2016 compared to 2015, mainly due to a lower mark to market gains of S/26.5 million, partially offset by an increase in rental income of S/21.2 million in 2016 when compared to 2015.

Rental Income

Rental income increased S/21.2 million, or 7.2%, from S/295.9 million for the year ended December 31, 2015 to S/317.2 million for 2016. This growth is explained mainly by (i) an increase in rental income of comparable shopping malls in terms of GLA of 6.3%, (ii) the expansion of four shopping malls (Trujillo, Piura, Centro Cívico and Huancayo) during 2015 and 2016 with an additional 21,122 m^2 of GLA, (iii) the opening of Real Plaza Villa María shopping mall in December 2016, and (iv) the acquisition of Real Plaza Sullana in June 2015 with 14,342 m^2 of GLA. Expansions during 2015 had a full year effect on the 2016 financial results.

Income from Management Services

Income from management services increased S/1.5 million, or 1.1%, from S/139.2 million for the year ended December 31, 2015 to S/140.7 million for 2016. This growth is explained mainly by (i) additional GLA we developed and (ii) parking revenues from the Salaverry shopping mall.

Cost Related to Income from Management Services

Cost related to income from management services increased S/2.5 million, or 2.4%, from S/106.5 million for the year ended December 31, 2015 to S/109.1 million for 2016. Cost related to income from management services as a percentage of income from management services increased from 76.5% to 77.5% for the year ended December 31, 2016 compared to 2015. This increase was primarily due to extraordinary expenses improving the common areas during 2016.

Net Rental Income

Our net rental income increased from S/328.6 million to S/348.8 million for the year ended December 31, 2016 when compared to 2015, mainly as a result of an increase in rental income by S/21.2 million or 7.2%.

Cost of Rental Income

Cost of rental income increased S/6.0 million, or 21.3%, from S/28.0 million for the year ended December 31, 2015 to S/34.0 million for 2016. Cost of rental income as a percentage of net rental income increased from 8.5% to 9.7%. This increase was primarily due to (i) higher rent expenses in Real Plaza Salaverry, which began to pay fixed rent in March 2016 and variable rent in December 2016; and (ii) an increase in taxes and duties charged by the municipalities.

Gross Profit

Our gross profit increased from S/300.6 million to S/314.8 million for the year ended December 31, 2016 when compared to 2015, mainly as a result of (i) the good performance of Salaverry, Chiclayo and Juliaca; (ii) the expansion of Trujillo, Piura, Centro Cívico and Huancayo shopping malls during 2015 and 2016; and (iii) the acquisition of Sullana in June 2015.

The table below shows our gross profit by shopping mall:

	For the year ended December 31,			
	2016	**2015**	**Variation**	**% Variation**
	(S/in millions)	**(S/in millions)**	**(S/in millions)**	
Salaverry	66.3	60.1	6.2	10.3%
Centro Cívico	30.4	28.9	1.5	5.2%
Chiclayo	29.8	26.8	3.0	11.0%
Cusco	26.9	25.8	1.1	4.3%
Primavera	21.4	21.6	(0.2)	(1.0%)
Huancayo	20.1	19.5	0.6	3.1%
Piura	19.5	18.3	1.1	6.3%
Juliaca	16.4	14.1	2.3	16.2%
Trujillo	14.4	13.6	0.8	5.6%
Huánuco	12.6	13.1	(0.5)	(3.9%)
Santa Clara	11.7	10.7	1.0	9.4%
Arequipa	11.2	12.4	(1.3)	(10.1%)
Pro	10.9	10.3	0.6	5.6%
Cajamarca	9.3	9.4	(0.1)	(0.6%)
Guardia Civil	7.8	6.6	1.2	18.4%
Sullana	4.4	3.0	1.4	48.3%
Unión	1.8	2.0	(0.2)	(9.8%)
Other[1]	0.1	4.3	(4.2)	(97.7%)
Total	**314.8**	**300.6**	**14.2**	**4.7%**

(1) Includes Nuevo Chimbote.

Fair Value Adjustment to Investment Properties

Under IFRS, we elect to measure our investment properties to fair market value quarterly. Fair value adjustments to investment properties as of December 31, 2016 were S/11.1 million, a decrease of 70.6% compared to S/37.6 million in 2015. This gain in 2016 fair value is mainly explained by the good performance of Salaverry, Chiclayo and Juliaca. We measure our investment properties at fair value at each date of the consolidated statements of financial position, see note 12 to our audited annual consolidated financial statements.

Selling and Administrative Expenses

The following table sets forth the principal components of selling and administrative expenses for the years ended December 31, 2016 and 2015:

	For the year ended December 31,			
	2016	**2015**	**Variation**	**% Variation**
	(S/in millions)	**(S/in millions)**	**(S/in millions)**	
Selling and Administrative Expenses				
Personnel expenses	(14.8)	(18.4)	3.6	(19.6%)
Professional fees	(9.1)	(2.0)	(7.1)	356.7%
Depreciation and amortization	(3.6)	(2.9)	(0.7)	22.2%
Others	(5.1)	(9.7)	4.5	(47.1%)
Total Expenses	**(32.6)**	**(33.0)**	**0.4**	**(1.2%)**

Selling and administrative expenses decreased S/0.4 million, or 1.2%, from S/33.0 million for the year ended December 31, 2015 to S/32.6 million for 2016. This reduction is explained mainly by (i) a higher recovery of allowance for doubtful accounts compared to 2015; and (ii) the incorporation of an accounting and financial team.

Other Income (expenses), Net

Other income (expenses), net, increased S/4.2 million, or 112.0%, from S/(3.8) million for the year ended December 31, 2015 to S/0.5 million for 2016. This increase is explained mainly because in 2015 InRetail Shopping Malls recorded an impairment of S/4.6 million related to the construction of a second shopping mall in Chiclayo.

Adjusted EBITDA

The following table sets forth the Adjusted EBITDA for the years ended December 31, 2016 and 2015:

	For the year ended December 31,		
	2016	**2015**	**%Variation**
Net Profit	127.9	109.6	16.7%
Add back net financial expenses	(113.5)	(103.5)	9.7%
Add back exchange difference, net	3.9	(81.0)	(104.8%)
Add back income tax	(56.1)	(7.2)	679.2%
Operating profit	**293.7**	**301.3**	**(2.5)%**
Add back depreciation and amortization	(3.6)	(2.9)	24.1%
Add back impact of marketing our investment properties to market	11.1	376.1	(70.5%)
Adjusted EBITDA	**286.2**	**266.7**	**7.3%**

Adjusted EBITDA increased by 7.3% for the year ended December 31, 2016 compared to 2015 due to higher net rental income.

Adjusted EBITDA Margin

The following table sets forth the Adjusted EBITDA Margin for the years ended December 31, 2016 and 2015:

	For the year ended December 31,		
	2016	**2015**	**%Variation**
Adjusted EBITDA Margin..............................	**82.1%**	**81.2%**	**1.1%**

Adjusted EBITDA margin for the year ended December 31, 2016 was 82.1% compared to 81.2% for 2015. The increase in the margin was mainly explained by (i) lower selling and administrative expenses due to streamlining of personnel expenses and (ii) the 2015 impairment related to the construction of a second shopping mall in Chiclayo.

Financial Income

Financial income increased S/1.9 million, or 43.6%, as a result of (i) higher interests from deposits due to our larger cash surplus in 2016 as compared to 2015 and (ii) capital gains from investments sold at fair value.

Financial Expenses

Financial expenses increased S/11.9 million, or 11.0%, from S/107.9 million for 2015 to S/119.8 million for 2016. This variation is explained mainly by (i) an increase of S/6.7 million in financial expenses related to the call spread that InRetail Shopping Malls took in August 2015 and (ii) an increase of S/6.3 million related to additional debt with a local bank. See "—Liquidity and Capital Resources."

Exchange Difference, Net

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

The exchange difference loss for the year ended December 31, 2015 was S/81.0 million, explained by an increase in the average exchange rate from S/2.989 soles per US$1.00 as of December 31, 2014 to S/3.413 soles per US$1.00 as of December 31, 2015.

The exchange difference gain for the year ended December 31, 2016 was S/3.9 million, explained by a decrease in the average exchange rate from S/3.413 soles per US$1.00 as of December 31, 2015 to S/3.360 soles per US$1.00 as of December 31, 2016.

Income Tax

We estimate income tax based on our profit from leasing revenues and capital gains tax from realized gains or losses in the values of our investment properties. Income tax increased S/48.9 million, or 677.6%, from S/7.2 million for 2015 to S/56.1 million for 2016, mainly due to an extraordinary reversion of S/24.0 million of deferred taxes due to changes in Shopping Malls accounting treatment in the fourth quarter of 2015.

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

Liquidity and Capital Resources

General

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

The following table sets forth our cash flow for the years ended December 31, 2017, 2016 and 2015:

	For the year ended December 31,				
	2017	2016	2015	% 2017-2016 Variation	% 2016-2015 Variation
	(S/ in millions)				
Operating activities					
Collections from ordinary activities…………………………………..	495.7	450.8	406.7	9.9%	10.9%
Payments to suppliers of goods and services…………………………..	(133.5)	(121.9)	(139.6)	9.6%	(12.7%)
Payments to employees for salaries and social benefits……………………..	(28.9)	(30.7)	(32.0)	(5.9%)	(4.1%)
Taxes paid………………………………..	(19.5)	(3.8)	(5.9)	412.1%	(34.9%)
Taxes recovered………………………….	32.3	54.2	69.1	(40.4%)	(21.6%)
Other payments………………………….	4.5	(2.1)	(0.2)	(315.2%)	781.4%
Net cash provided by operating activities	**350.5**	**346.5**	**298.0**	**1.1%**	**16.3%**
Investment activities					
Purchase of investment at fair value through profit or loss…………………	(311.4)	(360.4)	(34.9)	(13.6%)	933.5%
Withdrawal of investments at fair value through profit or loss…………..	199.7	305.0	0.0	(34.5%)	-
Sale of investments at fair value through other comprehensive income………….	0.0	0.0	17.5	-	(100.0%)
Purchase of investment at fair value through other comprehensive income...	0.0	(30.8)	(49.5)	(100.0%)	(37.8%)
Purchase of investments properties……..	(86.5)	(137.2)	(161.4)	(36.9%)	(15.0%)
Sale of investments properties…………..	4.0	2.8	0.0	45.5%	-
Value added tax payment corresponding to work in progress…………………..	(14.1)	(33.5)	(31.1)	(58.0%)	7.7%
Purchase of facilities, furniture and equipment, net of acquisitions through leasing contracts………………………….	(1.4)	(1.1)	(5.2)	23.8%	(78.6%)
Purchase and development of intangible assets…………………………………….	(1.6)	(1.0)	(1.3)	60.1%	(23.3%)
Loans granted………………………….	(1.8)	1.9	37.3	(194.0%)	(94.9%)
Sale of share maintained in InRetail Properties Management S.R.L………..	0.0	0.0	3.2	-	(100.0%)
Net cash provided/used in investment activities	**(213.0)**	**(254.3)**	**(225.3)**	**(16.2%)**	**12.9%**
Financing activities					
Increase of borrowings………………….	0.0	0.0	99.2	-	(100.0%)
Payment of borrowings………………….	(43.2)	(44.8)	(9.7)	(3.6%)	361.1%
Sale of bonds issued in the portfolio…….	0.0	55.0	0.0	(100.0%)	-
Prepayment of bonds issued…………….	0.0	0.0	(146.7)	-	(100.0%)
Interest paid……………………………..	(87.2)	(90.6)	(80.0)	(3.7%)	13.2%
Acquisition of non-controlling interest…………….	0.0	(9.0)	0.0	(100.0%)	-
Yields prepayments to non-controlling interests……………………………..	0.0	0.0	(0.2)	-	(100.0%)

Net cash flows provided/used in financing activities	**(130.4)**	**(89.4)**	**(137.5)**	**45.8%**	**(34.9%)**
Net increase (decrease) in cash and short-term deposits……………..	7.1	2.8	(64.7)	151.3%	(104.4%)
Cash and short-term deposits at the beginning of the year………………….	48.9	46.0	110.8	6.2%	(58.4%)
Cash and short-term deposits at the end of the year	**56.0**	**48.9**	**46.0**	**14.6%**	**6.2%**

Cash Flow

Cash flow and short-term deposits for 2017 was S/56.0 million, compared to S/48.9 million in 2016. The increase in total cash flow was mainly a result of less cash used in investment activities.

Cash flow and short term deposits for 2016 was S/48.9 million, compared to S/46.0 million in 2015. The increase in total cash flow was mainly a result of the decrease in financing activities.

Operating Activities

During 2017, our net cash flows provided by operating activites resulted in a net cash inflow of S/350.5 million compared to a cash inflow of S/346.5 million in 2016. This increase was explained by (i) three of the four expansions (Huancayo, Trujillo and Piura) during 2016 and 2017 with an additional 15,386 m^2 of GLA; and (ii) an increase of 1.7% in rental income of comparable shopping malls in terms of GLA.

During 2016, our net cash flows provided by operating activities resulted in a net cash inflow of S/346.8 million compared to a cash inflow of S/298.0 million in 2015. This increase was primarily due to (i) the good performance of Salaverry, Chiclayo and Juliaca; (ii) the expansion of Trujillo, Piura, Centro Cívico and Huancayo shopping malls; and (iii) the acquisition of Sullana; which is partially offset by a deceleration of the tax recovery in 2016.

Investing Activities

During 2017, our net cash flows used in investing activities resulted in a net cash outflow of S/213.0 million compared to S/254.3 million in 2016 and S/225.3 million in 2015.

Investing activities in 2017 included (i) the redemption of S/199.7 million in short term investments, due to capital expenditure requirements and (ii) capital expenditure outflows mostly explained by Huancayo, Trujillo, Arequipa, Primavera, Chimbote and Piura shopping malls.

Investing activities in 2016 included (i) the redemption of S/305.0 million in short term investments, due to capital expenditure requirements and (ii) capital expenditure outflows mostly explained by the construction of Real Plaza Villa María.

Investing activities in 2015 included capital expenditure outflows mostly explained by the acquisition of Real Plaza Sullana and an increase of 114,550 m^2 of our landbank, which will be used for future projects.

Financing Activities

During 2017, our net cash flows provided by financing activities resulted in a net cash outflow of S/130.4 million compared to S/89.4 million in 2016 and S/137.5 million in 2015. Financing activities in 2017 included amortization payments of S/43.2 million and interest payments of S/87.2 million.

Financing activities in 2016 included amortization payments of S/44.8 million, interest payments of S/90.6 million and bond sales of S/55.0 million.

Financing activities in 2015 included amortization payments of S/9.7 million, interest payments of S/80.0 million and the prepayment of bonds issued of S/146.7 million.

Investments in Shopping Malls

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

	For the year ended December 31,		
	2017	2016	2015
		(S/in millions)	
Arequipa	13.8	20.5	1.0
Primavera	13.2	1.1	1.5
Huancayo	11.7	4.3	18.5
Nuevo Chimbote	8.6	0.8	0.4
Villa María	8.1	31.7	-
Chacarilla (land)	8.0	-	-
Trujillo	7.9	19.6	17.1
Cusco	4.5	6.0	1.4
Piura	4.3	14.1	15.0
Puruchuco	3.5	7.1	8.9
Huánuco	1.7	0.4	0.1
Centro Cívico	0.9	0.8	12.1
Salaverry	0.8	1.4	4.6
Pro	0.5	0.3	0.2
Guardia Civil	0.4	7.0	0.7
Santa Clara	0.3	0.3	1.1
Chiclayo	0.3	0.5	1.2
Cajamarca	0.2	0.2	0.6
Juliaca	0.2	0.2	0.4
Sullana	0.1	0.1	57.6
Rex (land)	-	27.9	30.1
Lurin	(1.9)	26.6	-
Other	(0.6)	0.5	0.5
Total	**86.5**	**171.7**	**172.7**

During the years ended December 31, 2017 and 2016, we made the following investments in land and shopping malls:

- During 2016 and 2017, we invested in the expansion of Arequipa shopping mall, which involved the construction of an H&M store, the first one in the city.

- During 2017, we invested in the expansion of Primavera shopping mall, which involved the construction of an H&M store and services. This investment will continue during 2018.

- During 2015, 2016 and 2017, we invested in an additional GLA of 9,809 m^2 in Huancayo, related to the expansion.

- During 2017, we invested in the expansion of Nuevo Chimbote shopping mall, which included an additional area for a supermarket (Plaza Vea) of 1,840 m^2 and a home improvement store (Promart) of 5,690 m^2.

- During 2015, 2016 and 2017, we invested in the expansion of Trujillo shopping mall, which involved the construction of an H&M store and fast food stores.

- During 2015, 2016 and 2017, we invested in the expansion of Piura shopping mall, which included the construction of an H&M store and an educational tower.

- During 2015, we invested in a department store in Centro Cívico of 8,819 m^2.

- During 2015, we invested in the acquisition of Sullana shopping mall, which is a power center where a home improvement store (Promart) and a supermarket (Plaza Vea) operate.

Under our investment plan, we plan to build four new shopping malls and to expand four shopping malls, which we expect to require significant capital expenditures. We may need to finance all or a part of these capital expenditures by incurring new debt. In the case of Puruchuco we currently estimate capital expenditures of approximately US$120 million, which we expect to finance in part through a new financial lease. See "Business—Properties—Puruchuco Development."

Indebtedness

The table below sets forth our material outstanding indebtedness as of December 31, 2017 and 2016.

Summary	**As of December 31,**	
	2017	**2016**
	(S/in millions)	
To related parties		
Leasing transport units	0.3	0.1
To non-related parties		
Leasing Chiclayo	47.4	56.2
Other Leasings	1.6	2.4
Derivative Financial Instruments – Call Spread	41.5	51.9
Loans	49.8	74.5
Corporate bonds issuance	1,052.3	1,071.5
Total	**1,192.8**	**1,256.6**

This total debt is composed of short-term obligations for S/45.2 million and long-term obligations for S/1,147.6 million. Below is a description of our material outstanding indebtedness as of December 31, 2017.

Chiclayo Leasing

Interproperties Peru borrowed S/54.7 million from Banco de Crédito del Peru in September 2009, which is to be repaid in 120 monthly installments. This loan bears an annual interest rate of 9.02%. In August 2014, this leasing financial agreement was amended to change the currency from U.S. dollars to soles and the interest rate from 9.02% to 8.02%

On December 2012, July 2013 and September 2013, this leasing financial agreement was amended to increase the loan to US$20.0 million for the enlargement of sections 2A and 2B of our Chiclayo shopping mall. This loan is to be repaid in 120 monthly installments starting on October 2013 and bears an annual interest rate of 7.62%. On June 2014, the financial agreement was amended to change the currency from U.S. dollars to soles and the interest rate from 7.62% to 7.97% in the enlargement of section 2A; and from 7.02% to 8.06% in the enlargement of section 2B.

Scotiabank Loan

InRetail Shopping Malls borrowed S/100.0 million from Scotiabank in December 2015, which is to be repaid quarterly for a period of four years starting in March 2016. This loan bears an annual interest rate of 6.70%. The loan is jointly guaranteed by InRetail Real Estate Corp., Interproperties Holding I, Interproperties Holding II and Real Plaza S.R.L.

Derivative Financial Instruments – Call Spread

During 2015, InRetail Shopping Malls signed a "Call Spread" with J.P Morgan for a total amount of US$200 million in order to reduce its foreign currency risk. The instrument was financed, generating a liability of S/41.5 million in 2017.

Off-Balance Sheet Arrangements

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

Qualitative and Quantitative Disclosures about Market Risk

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

For further information regarding our market risk, see note 29(a) to our audited annual consolidated financial statements included in this offering memorandum.

Interest Rate Risk

This is the risk that the fair values or future cash flows of a financial instrument fluctuate due to changes in market interest rates. We manage our interest rate risk through debt with a fixed interest rate. As of December 31, 2017, we do not maintain variable rate debt, which would be exposed to the risk of change in the interest rate.

Foreign Exchange Risk

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

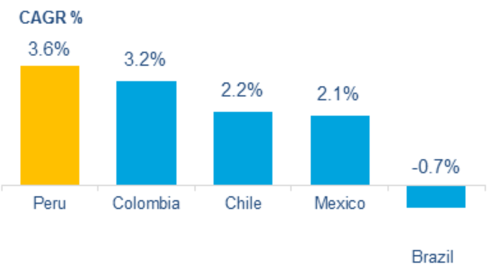
THE INDUSTRY

Evolution of the Peruvian Retail Sector

Peru has one of the most dynamic consumer markets in Latin America, benefiting from: (1) a rapidly growing economy with low inflation; from 2012 to 2017, Peru achieved a 3.6% average annual real GDP growth rate, compared to (0.7)% for Brazil, 2.1% for Mexico, 2.2% for Chile and 3.2% for Colombia, according to the IMF; (2) an increasing purchasing power as measured by GDP per capita, which has grown 1.6x since 2007, according to the World Bank; and (3) a socioeconomic transformation, with approximately 18% of the Peruvian population, nearly 5.6 million people, having risen above the poverty level from 2007 to 2017, and the upper and middle classes (roughly equivalent to the A, B and C socioeconomic segments) having expanded from approximately 26% of households in 2007 to approximately 40% in 2017, incorporating 5.3 million people into the upper and middle classes. As of 2017, 61.5% of Peru's population was younger than 35 years of age, according to INEI.

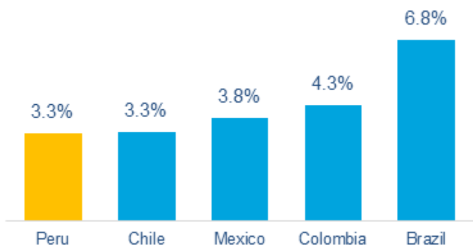
The following charts set forth the evolution of Peru's GDP and inflation between 2012 and 2017 compared to other Latin American countries, as well as the growth in purchasing power and shifts in socioeconomic segments in Peru over the respective time frames.

Latin America Real GDP Growth ('12-'17)



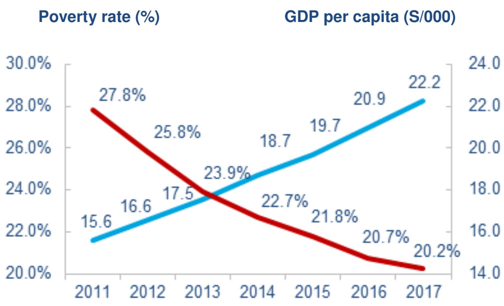
Source: IMF

Latin America Average Inflation ('12-'17)



Source: World Bank

Purchasing Power



Source: INEI, IPE and IMF

Population by Socioeconomic Category

Socio-economic Segment*	Annual Income	2007	2017	
		%of total population		
A	$ 49,614	8%	15%	+14%
B	$ 25,433			
C	$ 14,987	18%	26%	
D	$ 9,578	29%	24%	-14%
E	$ 4,951	45%	36%	

Source: APEIM

* Socieconomic segments are not defined based on the annual income but on the basis of a group variables defined by Asociación Peruana de Empresas de Investigación de Mercados ("APEIM"), such as educational level, predominant material in the housing floors, number of people permanently living in the home, exclusive rooms for sleeping and home equipment.

The IMF projects that over the next five years (2018-2023), Peruvian real GDP growth will continue increasing at an average annual rate of 3.6% per year, exceeding the 2.8% average annual growth rate expected for the countries described above (defined as the weighted average real GDP growth of Chile, Brazil, Colombia and Mexico over the same projected period). In addition, the Peruvian Ministry of Economy and Finance ("MEF") has estimated Peru's real GDP to continue growing by 4.0% in 2018 and 2019, according to the last report published in August 2017.

As a result of Peru's economic growth and private investment, the modern retail sector has experienced a transformation over the past decade, growing from an estimated aggregate size of S/159.5 billion in 2008 to S/197.7 billion in 2017, according to Planet Retail. Liberal policies are attracting international firms. Apparel companies H&M, Victoria's Secret and Tiffany's arrived in Peru in 2017.

The Shopping Mall Industry

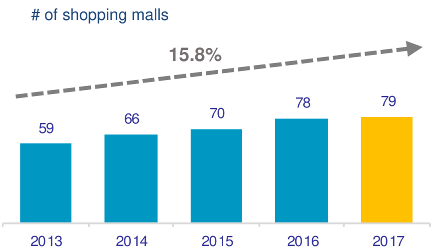
The Peruvian shopping mall industry has experienced strong growth during the last five years, partly explained by the growth of the economy (GDP CAGR of 3.6%) and its effect on GDP per capita (CAGR of 6.1%) and private consumption (CAGR of 3.9%).

According to the ACCEP, as of December 2017, the Peruvian shopping mall industry consisted of 79 shopping malls, of which 42 shopping malls are located in Lima and 37 outside of the Lima metropolitan area, with a total GLA of 2,779,309 m^2. The number of shopping malls and GLA has grown at an estimated compounded annual rate of approximately 15.8% and 14.3%, respectively, during the five years ended December 31, 2017. Additionally, gross sales in shopping malls have grown at an estimated compounded annual rate of approximately 13.8% during the same period. During 2017, Peruvian shopping malls received approximately 61.8 million visitors per month, an increase of 6.9% over the visitors per month received in 2016.

Additionally, ACCEP estimates the industry's total investment during 2017-2018 will reach US$463 million and that 62% of the total amount will be allocated to the establishments of new shopping malls.

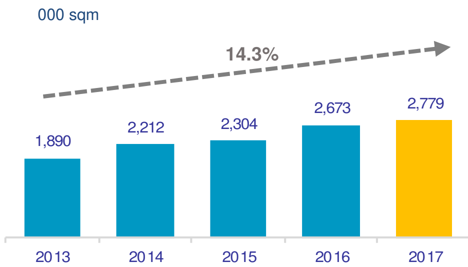
The following charts set forth the shopping malls and GLA evolution between 2012 and 2017.

Shopping Malls Evolution (2012-2017)



Source: ACCEP

GLA Evolution (2012-2017)



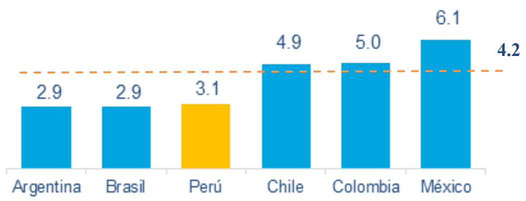
Source: ACCEP

Between 2012 and 2017, a total of 1,357,726 m^2 of GLA were added in Peru representing a CAGR of 14.3% for the same period.

Despite recent growth, Peruvian shopping mall penetration is still low when compared to other Latin American countries. As of 2015, the International Council of Shopping Centers ("ICSC") estimated that there were 3.1 shopping malls per million inhabitants in Peru compared to 4.9 in Chile, 5.0 in Colombia and 6.1 in Mexico.

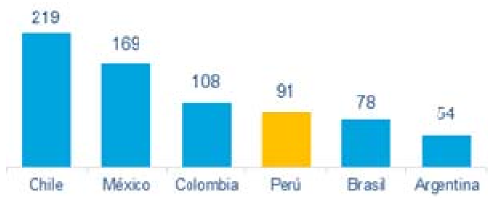
The following chart sets forth information about the number of shopping malls and GLA per million people in Peru and certain other Latin American countries.

Shopping malls per million inhabitants* (2015)



Source: ISCS
*The data considers only urban population

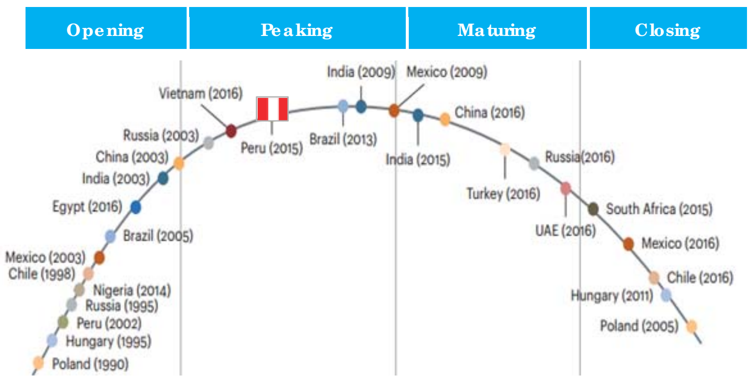
GLA per million inhabitants* (2015)



Source: ICSC

Likewise, formal retail penetration in Peru is very low and still has significant growth potential both in Lima and in other cities across the country. As of 2015, The Global Retail Development ("GRD") Index places the Peruvian retail market in the peaking phase:

The GRDI* window of opportunity



* The index considered four components: (i) market size (25%), (ii) country risk (25%), (iii) market saturation (25%) and (iv) and time pressure (25%). Source: AT. Kearney Analysis 2017

Competition

According to the ACCEP, the main players in the Peruvian shopping mall industry include: Real Plaza with 24.1% of total GLA (based on operated GLA, including shopping malls owned by third parties); Falabella Group with 18.6% of total GLA; Wong Group with 8.3% of total GLA, Jockey Plaza with 5.9% of total GLA and Parque Arauco with 5.8% of total GLA.

As of December 2017, Real Plaza is also the leading mall operator in Peru in terms of number of shopping malls operated with 21 malls, and the most diversified with presence in 13 cities across Peru. Additionally, Real Plaza has had the biggest market share among its peers since 2012. Between 2012 and 2017, Real Plaza added 338,256 m^2. We expect future openings like Puruchuco in 2019 will contribute to increase our market share.

The following table sets forth information about our shopping mall division and our main competitors in Peru as of December 31, 2017:

	Market Share[1]	# of Malls	Estimated Average Monthly Visitors (millions)	# of Cities Present
Real Plaza	24.12%	21	14.3	13
Falabella	18.55%	14	11.8	11
Wong	8.25%	2	6.0	2
Jockey Plaza	5.94%	1	2.5	1
Parque Arauco	5.79%	10	2.9	4
Mall Aventura	4.43%	2	3.2	2
Plaza San Miguel	3.26%	1	3.0	1
Other	29.66%	28	18.1	N/A

Source: ACCEP, Companies filings

(1) Based on GLA operated as of 2017.

BUSINESS

Overview

We are the leading shopping mall operator in Peru. We are the largest owner, developer and operator of shopping malls based on gross leasable area ("GLA"), number of shopping malls and tenants' sales. Under our Real Plaza brand, we operate 21 shopping malls with 670,393 m^2 of GLA. Based on our internal estimates, our diversified portfolio of shopping malls attracts the highest amount of consumer foot traffic in Peru, due to our unique combination of prime locations and highly recognized tenants' retail brands.

We strive to grow our business organically by taking advantage of shopping mall development opportunities throughout Peru, expanding our reach across socioeconomic segments and geographic markets. Our first shopping mall began to operate in 2001 (Primavera), and our GLA has since increased almost 68 fold as of December 31, 2017. Our investment plan from 2018 to 2023 contemplates approximately 370,000 m^2 of additional GLA. It includes the construction of four new shopping malls in Lima (Puruchuco, San Isidro, San Juan de Lurigancho and Higuereta), as well as the expansion of four of our existing shopping malls (Primavera, Cusco, Chiclayo and Trujillo) which would increase our GLA at a low cost and with low execution risk. Our expertise in selecting, securing, developing and operating these and other locations is a key profitability and growth driver of our business.

We are a nationwide operator with strategic locations in both Lima and the largest provinces in Peru. Our prime locations and expertise have allowed our shopping malls to attract and maintain an appealing tenant mix, to keep high occupancy rates, and to serve as shopping and entertainment destinations for Peruvian families. We were the first shopping mall operator to open a mall outside of Lima in 2006. Furthermore, we have been the first shopping mall operator to open a mall in seven of the 12 cities (in addition to Lima) in which we are currently present, and we are still the only shopping mall present in major cities like Cusco, Juliaca and Sullana. Our broad portfolio, diversified asset base, and first mover advantage have allowed us to maintain high occupancy rates of close to 96% as of December 31, 2017, and a high weighted average yield of approximately 15%, measured as net operating income over invested capital. As of December 31, 2017, the total value of our investment properties was US$988.1 million (S/3,202.4 million), and our total assets were US$1,139.9 million (S/3,694.4 million).

We believe we are in a very strong position to continue capitalizing on our investments in GLA and Peru's consumption growth, to secure predictable cash flows and increase our revenues and profitability. For December 31, 2017, our Adjusted EBITDA was S/294.1 million, our net rental income was S/363.7 million, and our net profit was S/137.1 million.

We believe that Peru offers attractive opportunities for significant growth based on its macroeconomic prospects, stable investment environment, favorable demographic trends and emerging middle class, combined with a retail sector that is underpenetrated by modern formats. Peru has been one of Latin America's fastest growing countries in terms of real GDP growth with average annual real GDP growth over 4.0% from 2012 to 2017, according to the Economist Intelligence Unit (the "EIU").

Macroeconomic stability set the basis for a socioeconomic transformation, with approximately 18% of the Peruvian population, nearly 5.6 million people, having risen above the poverty level between 2007 to 2016, and the upper and middle classes (roughly equivalent to the A, B and C socioeconomic segments) having expanded from approximately 26% of households in 2007 to approximately 40% in 2016, incorporating 5.3 million people into the upper and middle classes. As of 2016, 61.5% of Peru's population was younger than 35 years of age, according to the Instituto Nacional de Estadística e Informática (INEI), Peru's national institute of statistics and data. We focus on meeting the growing needs of Peruvian consumers who, as they become wealthier and demand higher quality products and services, are shifting towards modern, formal retailers and away from the country's traditional retail sector.

This favorable context has enabled Intercorp Peru, our ultimate parent company, to become a large and prominent Peruvian group with one of the most diversified business portfolios in Peru, with activities spanning financial services, retail, real estate, education, entertainment, tourism, restaurants, and industrial operations. As of and for the year ended December 31, 2017, Intercorp Peru had more than 64 thousand employees and over US$7.0 billion in combined market capitalization for its two listed companies, Intercorp Financial Services and InRetail Peru Corp.

Our Business

Our business is primarily composed of Peruvian trusts that own or have been granted rights over real estate in Peru, Inmobiliaria Puerta del Sol S.A. (which has the groundlease right over the Cusco land) and Real Plaza, the management company that develops and operates InRetail Real Estate's shopping malls. Real Plaza is in charge of maintaining and developing strong relationships with our tenants, which include anchor tenants from our group such as Plaza Vea, Oechsle, Promart and Cineplanet, third-party anchor tenants such as Ripley and Saga Falabella, brand-name retailers such as H&M, Forever 21, Brooks Brothers, Zara and Banana Republic, leading local fashion boutiques, restaurant chains and other entertainment and service offering chains. Our shopping malls enjoy high occupancy rates and collectively had an estimated 24% market share based on GLA in 2017, according to the Asociación de Centros Comerciales del Peru (the "ACCEP").

We earn rental income, which consists of the greater of minimum monthly fixed rental payments or variable payments based on the retail sales of our tenants. Approximately 85% of our rental income for 2017 came from fixed rental payments, and the rest came from variable payments linked to our tenants' sales. All minimum fixed rental payments adjust for inflation each year. Variable payments allow us to benefit from the growth in sales of our tenants, who operate across a range of retail categories. We also collect maintenance and marketing funds from our tenants that we use to provide these shared services.

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

	As of and for the year ended December 31,			
	2017	2017	2016	2015
	(US$ in millions)(1)(2)		(S/ in millions)(1)	
Net rental income(3)	112.2	363.7	348.8	328.6
Gross profit	98.4	319.0	314.8	300.6
Adjusted EBITDA(4)	90.8	294.1	286.2	266.6
Adjusted EBITDA margin (%)(4)	80.9	80.9	82.1	81.1
Operating cash flow	108.1	350.5	346.5	298.0
Shopping malls owned or leased	19	19	19	18
Shopping malls operated	21	21	21	20
Total GLA (m^2)(5)	632,910	632,910	624,630	582,218
GLA of shopping malls owned by related parties(6)	37,483	37,483	38,248	38,248
GLA growth for the period (%)	1.3%	1.3%	7.3%	5.2%
Average occupancy rate (year end) (%)(7)	95.8%	95.8%	96.8%	96.3%
Number of visitors per year in millions	171	171	161	159
Total assets	1,139.9	3,694.4	3,539.2	3,325.7

(1) Except for percentages and operating data.
(2) Translated to U.S. dollars for convenience only at the rate of S/3.241 = US$1.00, the exchange rate reported on December 31, 2017 by the SBS. See "Exchange Rates."
(3) Net rental income is defined as total income minus reimbursable operating costs related to the maintenance and management of our shopping malls. These operating costs are billed directly to tenants and are also reported as Income from Management Services. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations."
(4) For our definitions of Adjusted EBITDA and Adjusted EBITDA margin, which are non-IFRS measures, and reconciliations of net profit and operating profit to Adjusted EBITDA, see "Summary—Summary Financial Information."
(5) Does not include GLA owned by related parties.
(6) As of March 31, 2018, InRetail Shopping Malls acquired Real Plaza Pucallpa and Estación Central adding 37,483 m^2 of GLA.
(7) Ratio calculated at the end of each year using the average of all occupancy rates of all of the shopping malls including the occupancy rates of Pucallpa and Estación Central, which as of the above dates were held by related parties.

Our Strategy

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

Capitalize on our Leading Position to Remain the Preferred Option for Customers

Our deep local market knowledge and consumer analytics allow us to identify customer needs and behaviors that may change based on geographic location. Based on this knowledge and analytics, we carefully select our tenants, including successful local retailers, and design our tenant mix to provide an enhanced shopping experience. We monitor the evolution of consumer demands and the performance of tenants to renew our assortment and ensure a modern, up-to-date, product and service offering. Our customer-centric marketing campaigns and promotions are designed to generate additional traffic and generate more sales for our tenants.

Customer understanding begins with the site selection. We use key criteria to estimate site potential, including: (i) trade influence area considering GLA, transportation flow, traffic and physical barriers; (ii) population density and purchasing power by household; (iii) estimated penetration of new modern shopping malls by socioeconomic level; (iv) direct competitors analysis; and (v) estimated demand from beyond trade influence area.

Our customer-centric value proposition is built on Real Plaza's "JAPI" culture, with the purpose of creating lively public spaces where everyone can be happy. We believe that our malls are not only retail spaces but also for human connection spaces and for gathering points for families and friends, in which leisure spaces serve as an additional anchor for attracting customers. In most of the cities outside Lima, our shopping malls have replaced the role of traditional main squares, offering unique entertainment and shopping experiences in spaces that feature dynamic and customized architecture.

Sustainable growth with prime locations to capture untapped demand

Sustainable growth is organized around four key processes:

(i) *Site selection*: scouting, site evaluation, analytics and negotiation.

We select locations for our shopping malls where there is significant unmet consumer demand. Our corporate location scouting team, with over 14 years of market expertise, is exclusively dedicated to finding and securing properties located in prime locations. Our geographic analytics system provides extensive consumer demand analytics and helps us target stable communities with in-place infrastructure, low penetration of modern shopping malls and other modern retail formats, robust population and business growth, and above average household income.

(ii) *Investment approval*: financial structuring and approval process of our projects.

We follow a rigorous process to pursue profitable investments, with senior executives participating in weekly committees in which new shopping mall development opportunities are presented and evaluated. Affiliated anchor tenants are involved early in the approval process, making investment decisions more efficient and sustainable.

(iii) *Development and construction*: design and project management.

Our construction process is monitored and controlled by a project management team, allowing us to monitor the effectiveness and efficiency of the process. We outsource construction activities. One of the main challenges of this process in Peru is the lack of adequate urban planning and inconsistent regulation. To overcome these obstacles, we have a specialized in-house team, which allows us to accelerate a typically slow permitting process by actively engaging with local regulators. To minimize commercial risk, we aim to have 50% of the GLA for each shopping mall leased before starting construction. For example, Real Plaza Puruchuco, our next flagship project, is already 53% leased and is expected to begin construction in the near future.

(iv) *Sales and operation*: sales, operation and marketing.

We have a commercial team that is in charge of attracting top local, regional and multinational retailers, with the goal of producing an optimal tenant mix in all our shopping malls. Additionally, the marketing team assesses the preferences of our customers in every city we are located; and based on customer feedback they draw up a marketing plan to ensure sustainable traffic in our shopping malls.

Furthermore, our operational team is responsible for preserving and ensuring the functioning of the shopping centers. They are responsible for developing, managing and executing operations strategies to improve the mall operations.

Through the effectiveness activities of these areas, we aim to be recognized as the preferred partner for our tenants while maintaining the best shopping experience for consumers.

Consolidate as the Preferred Partner for Local and International Tenants

We seek to generate new and improved relationships with locally and globally recognized tenants. Our shopping malls offer tenants substantial consumer foot traffic because of our strategic locations, anchor stores, marketing investments, efficient operations and superior tenant service. We serve as a growth platform for our tenants, from local companies to strategic global brands, in order to expand their presence nationwide. These tenants take advantage of our geographically diversified shopping mall portfolio and our value-added sales, and commercial consulting services. This approach has resulted in consistent lease renewal track record with fixed maturities.

Competitive Strengths

Highly Predictable Cash Flows

Our high occupancy rates and largely fixed-rental-income contracts lead to highly predictable cash flows. The substantial majority of our cash flows come from long-term tenant leases and we also have low concentration of lease expiration maturities. Moreover, approximately 70% of our contracts as a percentage of GLA have lease maturities from 2025 onwards.

For the year ended 2017, approximately 85% of our rental income came from fixed lease payments. Our average occupancy rate as of December 31, 2017 was 95.8%.

High Cash Realization

As opposed to the U.S. Real Estate Investment Trusts or the similar Mexican *fondos de inversiones en bienes raices e infraestructura*, that require high dividend payment rates, we are not required to distribute dividends. The net income of the Issuer will be subject to taxation only when it is distributed to InRetail RE, which distributions will be in our sole discretion. Our regulatory framework thereby provides a high level of cash realization, which is available for debt service and capital expenditures to grow our business.

High Quality and Diversified Portfolio of Prime Shopping Mall Locations

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

Our portfolio of shopping malls is strategically diversified with respect to both geographic location and target customer socioeconomic segment. We have nine shopping malls in the city of Lima with 264,412 m^2 of GLA

(39.4% of our total GLA). We also have 12 shopping malls located in 11 provinces of Peru with 405,981 m^2 of GLA (60.6% of our total GLA). Our nationwide presence, our consumer demand analysis and our experience operating shopping malls allow us to benefit from the economic growth of various regions and income categories, minimizing the impact of fluctuations in regional economies and providing us with key competitive advantages for the implementation of our growth strategy.

Pipeline of Premium Projects under Development

Our premium shopping mall development projects in Lima and in Peru's provinces are commercially strategic and will target various socioeconomic segments. Currently, Puruchuco project, a landmark shopping mall with over 120,000 m^2 of GLA, is expected to begin construction in the near future. We estimate this project will be one of the largest shopping malls in Peru, strategically located in Ate, one of the most densely populated and transited districts in Lima, with a growing middle class population. We also plan to develop San Isidro, San Juan de Lurigancho and Higuereta shopping malls in the city of Lima, which will serve attractive markets in strategic neighborhoods of the city.

Strong and Stable Relationships with Retailers

Our diversified portfolio of shopping malls, high amounts of consumer foot traffic and our value-added services enable us to enjoy strong and stable relationships with our shopping mall tenants, high occupancy rates in our current shopping malls and increasing leasing revenues. In several cases, we have had more than 90% GLA occupancy prior to the opening of a shopping mall. We have over 600 tenants in our shopping mall portfolio, and a high lease renewal rate. We also have a low concentration of lease expiration maturities. Our strong relationship with our tenants is a strategic advantage as it permits us to plan new shopping malls or mall expansions with a high degree of visibility over future rent potential.

Exclusively focused on Opportunities in Peru

We believe our exclusive focus on Peru gives us an additional advantage. Peru offers attractive opportunities for growth based on its macroeconomic prospects and an emerging middle class, combined with a retail sector that is in an early stage of development. Peru has been one of the fastest growing economies in Latin America in terms of real GDP growth, with average annual real GDP growth over 3.6% from 2007 to 2017, according to the International Monetary Fund ("IMF"). Over the last 10 years, 18% of Peru's population, nearly 5.6 million people, have raised above the poverty level, according to INEI. As of 2017, 61.5% of Peru's population was younger than 35 years of age according to INEI. In addition, over the past 10 years, the average annual salary for Peruvians has increased 6.0%. Due to this positive performance, we are well positioned to capitalize on Peru's attractive growth opportunities.

Strategic Tenants Owned by Intercorp Peru and Established Relationships with Global Brands

We believe we have an additional competitive advantage because of the relationship between our shopping malls and Intercorp Peru's retail formats. Intercorp Peru owns well-known domestic retailers such as Plaza Vea, a hypermarket and supermarket chain, Oechsle, a department store, Promart, a home improvement store, and through Nexus Group, a private equity firm and a strategic partner of Intercorp Peru, other well-known domestic retailers such as Cineplanet, a line of movie theatres, and NG Restaurants, a line of fast-food restaurants. We also have established relationships with global brands such as Forever 21, Falabella, H&M, Banana Republic and Zara. Our relationships with these companies ensure a substantial amount of consumer foot traffic in our shopping malls. The early presence of these anchor stores in our projects also facilitates attracting additional tenants at favorable lease rates. We contract with these stores and restaurants only on an arm's-length basis.

Experienced Management Team and Strong Shareholder Base

Our management team has extensive operating experience in the retail and real estate sectors. Our management team has successfully secured locations and developed malls to grow our GLA eight-fold over the last 10 years, including opening our flagship shopping mall, Salaverry, on time and under budget, and has developed very strong relationships with local and global retailers. Furthermore, members of our management team have executed several financing, acquisition and development transactions, including the issuance of US$185 million senior notes by the

Company in 2011, the US$460 million initial public offering of InRetail Peru Corp on the Lima Stock Exchange in 2012 and the issuances of US$350 million senior notes and S/141 million senior notes by InRetail Shopping Malls in 2014. Our culture emphasizes teamwork and meritocracy, and focuses on attracting and retaining highly qualified personnel while maintaining a motivated workforce.

The Peruvian Shopping Mall Industry

The Peruvian shopping malls industry has experienced strong growth during 2012 to 2017, partly explained by the growth of the economy (GDP CAGR of 3.6%) and its effect on GDP per capita (CAGR of 6.1%) and private consumption (CAGR of 3.9%).

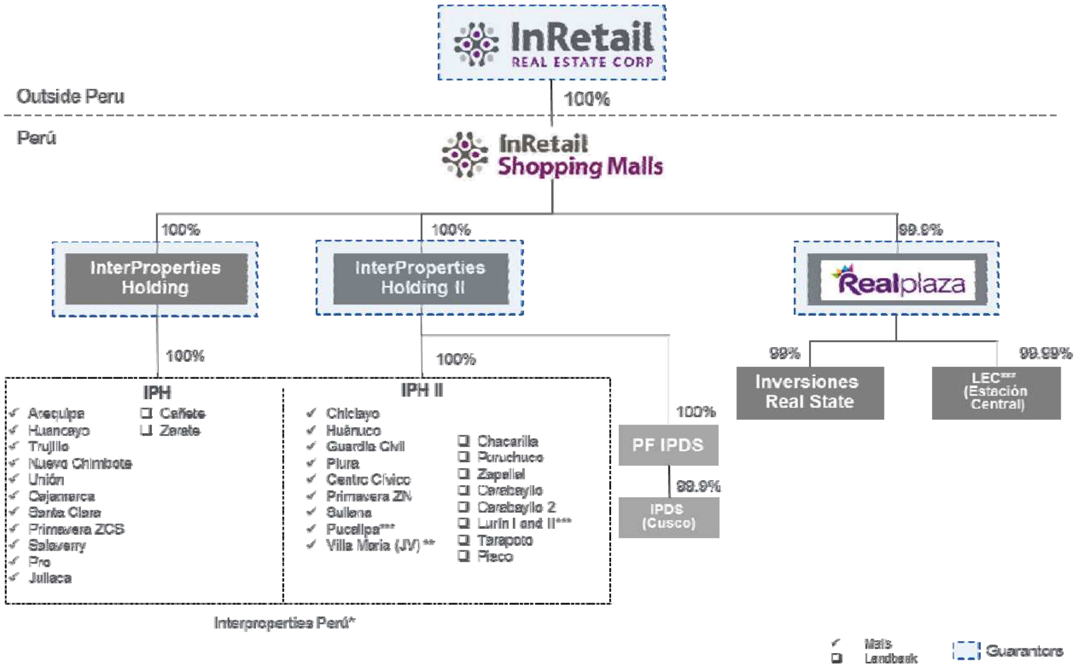
According to the ACCEP, as of December 2017, the Peruvian shopping mall industry consisted of 79 shopping malls, of which 43 shopping malls are located in Lima and 36 outside of the Lima metropolitan area, with a total GLA of 2,779,309 m^2. The number of Peruvian shopping malls, GLA and gross sales at Peruvian shopping malls grew at 15.8%, 14.3% and 13.8% CAGRs, respectively, for the five years ended December 31, 2017.

During 2017, Peruvian shopping malls received an estimated 61.8 million visitors per month, an increase of 6.5% over the visitors per month received in 2016. According to ACCEP, the industry's total investment in developing and expanding shopping malls during 2017-2018 will reach US$462 million and that 62% of the total amount will be allocated to the establishment of new shopping malls.

Despite recent growth, Peruvian shopping mall penetration is still low when compared to other Latin American countries. As of 2015, the ICSC estimated that there were 3.1 shopping malls per million inhabitants in Peru compared to 4.9 in Chile, 5.0 in Colombia and 6.1 in Mexico. In terms of GLA per capita, as of 2015 Peru had 91 m^2 per inhabitant compared to 169 m^2 and 218 m^2 in Mexico and Chile, respectively. As such, we believe there is a very significant opportunity for growth in GLA in Peru, both in Lima's more densely populated districts like Ate and San Juan de Lurigancho, where our Puruchuco mall and San Juan de Lurigancho mall will be located, to cities across the country like Cusco where we are the only shopping mall operator in the city.

Organizational Structure

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



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* As of December 31, 2017, Interproperties Peru also owned real properties (Pucallpa, Cuartel San Martín and Lillingstone) whose certificates of participation are owned by Interseguro Compañia de Seguros S.A. ("Interseguro") and Urbi Propiedades S.A. ("Urbi"). These other real estate properties are not included in our consolidated financial results. In addition, InRetail Shopping Malls has a participation of 22.7% in the ownership of San Martin de Porres land, together with Interseguro and Intercorp Peru. Only InRetail Shopping Malls' participation is included in our consolidated financial results.

**We have a 60% joint venture with Supermercados Peruanos in the Real Plaza Villa María shopping mall.

***In the first quarter of 2018, InRetail Shopping Malls purchased Lurin II, Pucallpa and Estación Central from our related party Interseguro.

InRetail Shopping Malls

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

Interproperties Holding and Interproperties Holding II

The business of Interproperties Holding and Interproperties Holding II is the ownership, acquisition, development, leasing, management and operation of shopping malls and ownership of certificates of participation in Interproperties Peru. These entities are both Peruvian trusts (*fideicomiso de titulización*) established on September 14, 2011 and May 30, 2012, respectively. The registered address of Interproperties Holding and Interproperties Holding II is Av. Punta del Este 2403, Puerta 4, Piso 2, Jesus Maria, Lima, Peru.

Real Plaza

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

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

The registered address is Av. Punta del Este 2403, Puerta 4, Piso 2, Jesus Maria, Lima, Peru.

Interproperties Peru

Interproperties Peru is a Peruvian trust (*fideicomiso de titulización*) which directly owns or has certain rights over the real estate where our shopping malls are located. See “Description of the Issuer—Interproperties Peru.”

The registered address of Interproperties Peru is Av. Punta del Este 2403, Puerta 4, Piso 2, Jesus Maria, Lima, Peru.

Shopping Malls

Our shopping malls are located in strategic areas where there is unmet demand and the potential for increasing consumer purchasing power. This diversified and hard-to-replicate shopping mall portfolio allows us to benefit from economic growth in different regions and across various socioeconomic segments in Peru. Being the first developer to expand beyond Lima in 2007 helped us develop a profitable portfolio of premium properties. Of our 21 shopping malls, nine are in the Lima metropolitan area and the other 12 are in Chiclayo, Trujillo, Huancayo, Arequipa, Chimbote, Juliaca, Huánuco, Piura, Cajamarca, Cusco, Sullana and Pucallpa.

The following table shows the shopping malls we operate, both those we own or lease on a long-term basis and those owned or leased by third parties, as of December 31, 2017:

	Opening Year	Location	Property Interest	GLA (m^2)[(1)]	Number of Leased Contracts	Occupancy Rate
Commercial Properties						
Salaverry	2014	Lima	Groundlease	72,525	279	99%
Piura	2013	Piura	100% ownership rights	52,646	133	94%
Centro Cívico	2010	Lima	Groundlease	49,688	197	95%
Chiclayo	2006	Lambayeque	100% ownership rights	46,026	147	100%
Trujillo	2007	Trujillo	100% ownership rights	45,939	130	97%
Huancayo	2009	Huancayo	Groundlease	42,251	121	98%
Cusco	2013	Cusco	Groundlease	39,186	145	99%
Primavera	2001	Lima	100% ownership rights	34,568	150	97%
Cajamarca	2013	Cajamarca	100% ownership rights	34,465	88	96%
Villa María[(2)]	2017	Lima	Groundlease	30,219	84	89%
Juliaca	2011	Puno	Groundlease	29,597	105	99%
Huánuco	2012	Huánuco	Groundlease	29,424	87	88%
Arequipa	2010	Arequipa	Groundlease	25,147	114	97%
Pro	2008	Lima	100% ownership rights	21,930	63	100%
Santa Clara	2009	Lima	100% ownership rights	21,719	87	100%
Guardia Civil	2011	Lima	100% ownership rights	20,062	66	99%
Sullana	2013	Piura	100% ownership rights	14,342	12	99%
Jirón de la Unión	2011	Lima	100% ownership rights	11,712	3	100%
Nuevo Chimbote	2010	Ancash	100% ownership rights	11,463	2	100%
Total Commercial Properties				**632,910**	**2013**	**97%**
Related Party Malls[(1)]						
Pucallpa	2014	Ucayali	Managed	35,493	83	84%
Estación Central	2010	Lima	Managed	1,989	21	23%
Total Related Party Malls				**37,483**	**104**	**81%**
Total				**670,393**	**2,117**	**96%**

(1) In January 2018, InRetail Shopping Malls purchased Pucallpa and Estación Central from our related party Interseguro.
(2) Villa Maria is a held through a contractual agreement with Supermercados Peruanos in which we hold a 60% stake.

As of January 31, 2018, InRetail Shopping Malls bought Real Plaza Pucallpa and Estación Central from our related party Interseguro in line with our expansion strategy, increasing its portfolio of shopping malls from 19 to 21. The purchase of these two properties is expected to result in an increase in our global revenue and net profit.

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

Shopping Mall Locations Throughout Peru

* Includes the following locations: Salaverry, Centro Cívico, Primavera, Villa María, Pro, Santa Clara, Guardia Civil, Jiron de la Unión and Estación Central.

First Mover Advantage

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

Shopping Mall Expansion and Land Acquisition

We believe that the expansion of our existing shopping malls represents an excellent opportunity to achieve further operating and financial growth. We typically expand our more consolidated shopping malls when we believe there is new unsatisfied consumer demand. This strategy permits for relatively low-risk investments with faster income ramp-ups and higher occupancy levels. In order to capture part of this opportunity, our investment plan for 2018 to 2023 contemplates the expansion of Primavera, Cusco, Chiclayo and Trujillo and the development of four new shopping malls, including Real Plaza Puruchuco, which will target the growing middle class. We expect it to be the second largest shopping mall in Peru. See “Business—Expansion and Development Plan 2018-2023.”

Our shopping malls provide a large portfolio of existing premium locations and sites for future expansion. Our successful expansion track record and openings are based on a rigorous process performed by specialized teams. Sustainable growth is organized around four key processes: site selection; investment approval; development and construction; and sales and operation.

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

  Through InRetail Management, an Intercorp Retail management company, we have access to a specialized land bank team with over 14 years of experience in Peru. This company is in charge of market intelligence that uses a proprietary geographical information system to provide us with extensive information about consumer demand and the potential for development in each area. We do not depend on third-party real estate brokers for our scouting proposal activities.

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

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

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

  Our construction process is monitored and controlled by a project management team, allowing us to monitor the effectiveness and efficiency of the process. We outsource construction activities. One of the main challenges of this process in Peru is the lack of adequate urban planning and inconsistent regulation. To overcome these obstacles, we have an in-house specialized team, which allows us to accelerate a typically slow permitting process by actively engaging with local regulators. To minimize commercial risk, we aim to have 50% of the GLA for each shopping mall leased before starting construction. For example, Real Plaza Puruchuco, our next flagship project, is already 53% leased.

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

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

Tenants and Leasing

Lease Payment Structure

The main source of our shopping mall revenues are lease payments from tenants. Lease payments are calculated as the maximum between a variable percentage of net sales from each store and a fixed minimum specified in the terms of the lease. The percentage of revenues upon which each store's lease payments are calculated is set forth in a lease agreement and is fixed throughout the term of the agreement. These percentages vary depending on the type of business conducted by each retailer. In addition, each tenant pays a percentage of the common area costs and shopping mall operating and marketing expenses. We monitor the performance of each store on a monthly basis in order to calculate the appropriate rent to be charged to each tenant. Approximately, 85% of the total rent paid by our tenants for the year ended December 31, 2017 was generated by a fixed rate minimum lease payment, while the remaining 15% was attributed to variable rent.

Default and Collection Policy

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

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

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

Tenant Mix

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

(I) Anchor stores typically lease 60% - 80% of the GLA in our shopping malls and sign long-term leases of 10 to 35 years. Monthly rents under these leases are equal to the greater of (i) a fixed amount, which ranges from approximately US\$6.00/m^2 to US\$10.00/m^2; or (ii) a variable amount determined as a percentage of monthly net sales of tenants, which ranges from 2.0% to 11%. Anchor tenants include stores owned by our affiliates, such as Plaza Vea (a supermarket store chain), Oechsle (a department store chain), Promart (a home improvement chain) and Cineplanet (a movie theatre chain), as well as other leading unrelated retailers like Saga Falabella and Ripley. These retailers are recognized for their high quality service and products, and help increase consumer traffic. The early commitment of these stores to our shopping mall developments allows us to create a complete portfolio of retail tenants that, in turn, allows us to attract other retailers seeking an optimal tenant mix. This traffic also improves our ability to secure financing for our projects. Furthermore, we have developed commercial synergies with tenants such as shared promotions, which help us ensure traffic and gain customer loyalty.

(II) Medium stores typically lease 10% - 20% of the GLA in our shopping malls and sign medium term leases of 5 to 10 years. Monthly rents under these leases are equal to the greater of (i) a fixed amount, which ranges from approximately US\$7.00/m^2 to US\$25.00/m^2; or (ii) a variable amount determined as a percentage of monthly net sales of tenants, which ranges from 3.5% to 8.0%. Medium stores are typically strategic and global brands, electronics stores, fast fashion stores and restaurants, such as H&M, Zara, Banana Republic, Forever 21, Gap, Mango or the Nike store. The advantages of having strong anchor tenants make us a preferred business partner for medium stores who are looking for locations with a high rate of customer traffic. Moreover, these tenants also prefer us because they have the opportunity to expand faster through our large shopping mall chain and through our future openings.

(III) Small stores typically lease 10% - 30% of the GLA in our shopping malls through short-term leases of 3 to 5 years. Monthly rents under these leases are equal to the greater of (i) a fixed amount, which ranges from approximately US\$20.00/m^2 to US\$75.00/m^2; or (ii) a variable amount determined as a percentage of monthly net sales of tenants, which ranges from 8.0% to 9.0%. These tenants are important to complete our optimal tenant mix.

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

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

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

Our shopping malls typically have a very high occupancy rate. As of December 31, 2017, our average occupancy rate was 95.8%.

Properties

As of December 31, 2017, we owned or leased on a long-term basis 19 shopping malls, which cover a total area of 632,910 m^2 of property throughout 13 cities in Peru. We acquired two additional shopping malls in 2018.

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

Salaverry

Salaverry started operations in 2014. It is located in Jesús María District, City of Lima. This shopping mall has six anchor stores: Oechsle, Plaza Vea, Promart, and Cineplanet, with 30-year lease agreements each; Ripley with a 25-year lease agreement and Saga Falabella with a 35-year lease agreement. The anchor stores represented 60.0% of the total GLA as of December 31, 2017 and 21.5% of the total rental income in 2017.

The following table sets forth information regarding the Salaverry shopping mall as of December 31, 2017:

Land Area (m^2)	29,159
Total GLA (m^2)	72,525
Leased contracts	279
Estimated Average Number of Visitors per Month	1,262,938
Tenant sales 2017 (S/millions)	794.8
Tenant sales growth (2016/2017)	4.5%
Gross profit 2017 (S/millions)	58.2

Piura

Piura began operations in 2013. It is located in the city of Piura, one of the main cities on Peru's northern coast. This shopping mall has five anchor stores: Ripley, with a 25-year lease agreement, Oechsle and Cineplanet, both with 30-year lease agreements and Plaza Vea and Promart with 32-year lease agreements each. The anchor stores represented 58.9% of the total GLA as of December 31, 2017 and 36.7% of the total rental income in 2017.

The following table shows information regarding the Piura shopping mall as of December 31, 2017:

Land Area (m^2)	90,039
Total GLA (m^2)	52,646
Leased contracts	133
Estimated Average Number of Visitors per Month	1,143,047
Tenant sales 2017 (S/millions)	379.6
Tenant sales growth (2016/2017)	17.9%
Gross profit 2017 (S/millions)	22.1

Centro Cívico

Centro Cívico started operations in 2010. It is located in downtown Lima. This shopping mall has four anchor stores: Cineplanet and Plaza Vea, with 10-year lease agreements each; Oechsle with a 20-year lease agreement and Saga Falabella with a 25-year lease agreement. The anchor stores represented 52.8% of the total GLA as of December 31, 2017 and 25.0% of the total rental income in 2017.

The following table sets forth information regarding the Centro Cívico shopping mall as of December 31, 2017:

Land Area (m^2)	38,496
Total GLA (m^2)	49,688
Leased contracts	197
Estimated Average Number of Visitors per Month	2,399,987
Tenant sales 2017 (S/millions)	389.7
Tenant sales growth (2016/2017)	2.0%
Gross profit 2017 (S/millions)	33.3

Chiclayo

Chiclayo began operations in 2006. It is located in the city of Chiclayo, one of the main cities on Peru's northern coast. This shopping mall has five anchor stores: Plaza Vea, Oechsle and Saga Falabella with 30-year lease agreements each; Promart and Cineplanet with 10-year lease agreements each. The anchor stores represented 69.1% of the GLA as of December 31, 2017 and 35.4% of the total rental income in 2017.

The following table shows information regarding the Chiclayo shopping mall as of December 31, 2017:

Land Area (m^2)	63,112
Total GLA (m^2)	46,026
Leased contracts	147
Estimated Average Number of Visitors per Month	1,121,927
Tenant sales 2017 (S/millions)	457.6
Tenant sales growth (2016/2017)	3.1%
Gross profit 2017 (S/millions)	30.2

Trujillo

Trujillo began operations in 2007. It is located in Trujillo, one of the main cities on Peru's northern coast. This shopping mall has four anchor stores: Oechsle and Promart, with 20-year lease agreements each, and Plaza Vea and Cineplanet, with 30-year lease agreements each. The anchor stores represented 56.3% of the total GLA as of December 31, 2017 and 35.2% of the total rental income in 2017.

The following table shows information regarding the Trujillo shopping mall as of December 31, 2017:

Land Area (m^2)	81,273
Total GLA (m^2)	45,939
Leased contracts	130
Estimated Average Number of Visitors per Month	1,092,339
Tenant sales 2017 (S/millions)	345.1
Tenant sales growth (2016/2017)	19.6%
Gross profit 2017 (S/millions)	17.5

Huancayo

Huancayo began operations in 2009. It is located in the city of Huancayo, the most commercially active city in the central highlands. This shopping mall has five anchor stores: Oechsle, Plaza Vea, Ripley, Promart and Cineplanet, with lease agreements of 20, 30, 25, 30 and 10 years, respectively. These stores represent nearly

73.4% of the total GLA as of December 31, 2017 and in 2017, generated 43.1% of the total rental income for the shopping mall.

In 2017, Huancayo performance in terms of sales and traffic was affected by the opening of a second shopping mall in the city, Open Plaza Huancayo, a Falabella group shopping center.

Although, we still are leaders in Huancayo, in 2018 we intend to enhance our competitive position with the inclusion of a fast-fashion and the implementation of a new food court.

The following table shows information regarding the Huancayo shopping mall as of December 31, 2017:

Land Area	40,609
Total GLA (m^2)	42,251
Leased contracts	121
Estimated Average Number of Visitors per Month	1,198,695
Tenant sales 2017 (S/millions)	300.5
Tenant sales growth (2016/2017)	(8.1)%
Gross profit 2017 (S/millions)	19.7

Cusco

Cusco began operations in 2013. It is located in Cusco, the most important tourist city in Peru. This shopping mall has four anchor stores: Oechsle, Plaza Vea, Promart and Cineplanet, each with 30-year lease agreements. The anchor stores represented 67.6% of the total GLA as of December 31, 2017 and 32.7% of the total rental income in 2017.

The following table shows information regarding the Cusco shopping mall as of December 31, 2017:

Land Area (m^2)	58,080
Total GLA (m^2)	39,186
Leased contracts	145
Estimated Average Number of Visitors per Month	1,239,021
Tenant sales 2017 (S/millions)	368.8
Tenant sales growth (2016/2017)	4.1%
Gross profit 2017 (S/millions)	27.3

Primavera

Primavera began operations in 2001 and is located in the City of Lima. This shopping mall has two department stores, Oechsle and Ripley, with lease agreements for 20 and 30 years, respectively. In addition, Primavera has two more anchor stores: a movie theater, Cineplanet, with a 20-year lease agreement, and a Metro hypermarket that although is owned by Cencosud, is connected to our mall and contributes to complete the commercial offer. Anchor stores represent 66.4% of GLA as of December 31, 2017 and generated 32.0% of 2017 rental income earned by the shopping mall.

In 2017, Primavera performance in terms of sales and traffic was affected by the opening of Mall del Sur that reduced our influence in the area. In order to regain our influence, during 2018-2019 we intend to expand our mall to complement our commercial offer with a fast-fashion store (H & M), services and a new restaurants zone.

The following table shows information regarding the Primavera shopping mall as of December 31, 2017:

Land Area (m^2)	27,962
Total GLA (m^2)	34,568
Leased contracts	150

Estimated Average Number of Visitors per Month	936,128
Tenant sales 2017 (S/millions)	241.1
Tenant sales growth (2016/2017)	(9.4)%
Gross profit 2017 (S/millions)	21.6

Cajamarca

Cajamarca began operations in 2013. It is located in Cajamarca, one of Peru's most important mining cities. This shopping mall has five anchor stores: Oechsle, Plaza Vea, Promart and Cineplanet, with 30-year lease agreements each and Ripley with a 25-year lease agreement. The anchor stores represented 75.6% of the total GLA as of December 31, 2017 and 57.7% of the total rental income in 2017.

The following table sets forth information regarding the Cajamarca shopping mall as of December 31, 2017:

Land Area (m^2)	29,734
Total GLA (m^2)	34,465
Leased contracts	88
Estimated Average Number of Visitors per Month	431,787
Tenant sales 2017 (S/millions)	133.1
Tenant sales growth (2016/2017)	8.7%
Gross profit 2017 (S/millions)	9.5

Villa María

Villa María started operations on December 2016. It is located in Villa Maria del Triunfo District, city of Lima. This shopping mall has four anchor stores: Cineplanet, Oechsle, Plaza Vea and Promart, with lease agreements of 30, 27, 20 and 20 respectively. The anchor stores represented 70.0% of the total GLA as of December 31, 2017 and 50.4% of the total rental income for 2017. Villa Maria is a 60% joint venture with Supermercados Peruanos.

The following table shows information regarding the Villa María Shopping mall as of December 31, 2017:

Land Area (m^2)	22,549
Total GLA (m^2)	30,219
Leased contracts	84
Estimated Average Number of Visitors per Month	380,531
Tenant sales 2017 (S/millions)	109.1
Tenant sales growth (2016/2017)	n.a.
Gross profit 2017 (S/millions)	4.5

Juliaca

Juliaca began operations in 2011. It is located in the train station of Juliaca, a city located in Southern Peru. This shopping mall has five anchor stores: Oechsle, Plaza Vea, Promart, Ripley and Cineplanet, with lease agreements of 20, 10, 25, 20 and 30 years, respectively. The anchor stores represented 74.5% of the total GLA and 39.4% as of December 31, 2017 of the total rental income in 2017.

The following table shows information regarding the Juliaca shopping mall as of December 31, 2017:

Land Area (m^2)	48,000
Total GLA (m^2)	29,597
Leased contracts	105
Estimated Average Number of Visitors per Month	922,291

Tenant sales 2017 (S/millions)	250.9
Tenant sales growth (2016/2017)	5.3%
Gross profit 2017 (S/millions)	16.0

Huánuco

Huánuco began operations in 2012. It is located in the city of Huánuco, in the central part of Peru. This shopping mall has four anchor stores: Oechsle, Plaza Vea, Promart and Cineplanet, with lease agreements of 20, 20, 30 and 20 years, respectively. The anchor stores represented 61.4% of the total GLA as of December 31, 2017 and 38.2% of the total rental income in 2017.

The following table sets forth information regarding the Huánuco shopping mall as of December 31, 2017:

Land Area (m^2)	37,976
Total GLA (m^2)	29,424
Leased contracts	87
Estimated Average Number of Visitors per Month	506,951
Tenant sales 2017 (S/millions)	169.8
Tenant sales growth (2016/2017)	6.9%
Gross profit 2017 (S/millions)	12.3

Arequipa

Arequipa began operations in 2010. It is located in Arequipa, the second largest city in Peru. This shopping mall has three anchor stores: Oechsle, Plaza Vea and Cineplanet, each with 30-year lease agreements. The anchor stores represented 49.4% of the total GLA as of December 31, 2017 and 25.7% of total rental income in 2017.

On 2017, Arequipa's sales and traffic performance was affected by the expansion of the Falabella Group shopping center that is located close to our shopping mall. We plan to improve our tenant mix with international brands and by focusing on an entertainment commercial offer.

The following table sets forth information regarding the Arequipa shopping mall as of December 31, 2017:

Land Area (m^2)	15,126
Total GLA (m^2)	25,147
Leased Contracts	114
Estimated Average Number of Visitors per Month	722,150
Tenant sales 2017 (S/millions)	163.5
Tenant sales growth (2016/2017)	(2.9)%
Gross profit 2017 (S/millions)	10.8

Pro

Pro began operations in 2008. It is located in the north of Lima. This shopping mall has three anchor stores: Plaza Vea, Promart and Cineplanet, all of them with 30-year lease agreements. The anchor stores represented 81.3% of the total GLA as of December 31, 2017 and 42.1% of the total rental income in 2017.

The following table shows information regarding the Pro shopping mall as of December 31, 2017:

Land Area (m^2)	31,719
Total GLA (m^2)	21,930
Leased contracts	63
Estimated Average Number of Visitors per Month	834,365

Tenant sales 2017 (S/millions)	215.5
Tenant sales growth (2016/2017)	8.5%
Gross profit 2017 (S/millions)	12.5

Santa Clara

Santa Clara began operations in 2009. It is located in the district of Ate, Department of Lima. This shopping mall has three anchor stores: Plaza Vea, Promart and Cineplanet, with lease agreements of 10, 30 and 10 years, respectively. These anchor stores represented 80.4% of the total GLA as of December 31, 2017 and 39.7% of the total rental income for 2017.

The following table shows information regarding the Santa Clara Shopping mall as of December 31, 2017:

Land Area (m^2)	40.113
Total GLA (m^2)	21,719
Leased contracts	87
Estimated Average Number of Visitors per Month	771,130
Tenant sales 2017 (S/millions)	239.6
Tenant sales growth (2016/2017)	6.1%
Gross profit 2017 (S/millions)	11.6

Guardia Civil

Guardia Civil began operations in 2011. It is located in the Chorrillos District in the city of Lima. This shopping mall has three anchor stores: Plaza Vea, Promart and Cineplanet with 30-year lease agreements each. The anchor stores represented 76.8% of the total GLA as of December 31, 2017 and 51.0% of the total rental income in 2017.

The following table sets forth information regarding the Guardia Civil shopping mall as of December 31, 2017:

Land Area (m^2)	20,605
Total GLA (m^2)	20,062
Leased contracts	66
Estimated Average Number of Visitors per Month	394,035
Tenant sales 2017 (S/millions)	146.9
Tenant sales growth (2016/2017)	1.9%
Gross profit 2017 (S/millions)	7.9

Sullana

Sullana started operations in 2013. It is located in the city of Sullana, Department of Piura. This shopping mall has two anchor stores: Plaza Vea and Promart, with 30-year lease agreement each. The anchor stores represented 91.5% of the total GLA as of December 31, 2017 and 80.7% of the total rental income in 2017.

The following table shows information regarding the Sullana shopping mall as of December 31, 2017:

Land Area (m^2)	41,172
Total GLA (m^2)	14,342
Leased contracts	12
Estimated Average Number of Visitors per Month	180,397
Tenant sales 2017 (S/millions)	63.1
Tenant sales growth (2016/2017)	6.9%
Gross profit 2017 (S/millions)	4.3

Tiendas Jirón de la Union

This property began operations in December 2010. It is located in downtown Lima. This shopping mall has two anchor stores: Plaza Vea and Oechsle with 30-year lease agreements which represent 100% of the total GLA as of December 31, 2017.

The following table shows information regarding the Tiendas Jirón de la Union as of December 31, 2017:

Land Area	3,664
Total GLA (m^2)	11,712
Leased contracts	3
Tenant sales 2017 (S/millions)	50.6
Tenant sales growth (2016/2017)	18.4%
Gross profit 2017 (S/millions)	1.6

Nuevo Chimbote

Nuevo Chimbote started operations in 2010. It is located in the city of Chimbote, Department of Ancash. This shopping mall has two anchor stores: Plaza Vea and Promart with a 30-year lease agreement each, which represents almost 100.0% of the total GLA as of December 31, 2017.

The following table shows information regarding the Nuevo Chimbote shopping mall as of December 31, 2017:

Land Area (m^2)	76,954
Total GLA (m^2)	11,463
Leased contracts	2
Estimated Average Number of Visitors per Month	90,194
Tenant sales 2017 (S/millions)	21.0
Tenant sales growth (2016/2017)	(2.3)%
Gross profit 2017 (S/millions)	(0.5)

Pucallpa

Pucallpa began operations in 2014. It is located in Ucayali, in the eastern part of Peru. It was the second shopping mall in the city Pucallpa has five anchor stores: Plaza Vea, Cineplanet, Promart, Oechsle and Ripley, each with a lease agreement from 20 to 30 years. The anchor stores represented 66.5% of the total GLA as of December 31, 2017 and 64.8% of total rental income in 2017. In January, 2018, InRetail Shopping Malls acquired Real Plaza Pucallpa from our related party Interseguro.

The following table sets forth information regarding Pucallpa shopping mall as of December 31, 2017:

Land Area (m^2)	31,896
Total GLA (m^2)	35,493
Leased Contracts	83
Estimated Average Number of Visitors per Month	519,757
Tenant sales 2017 (S/millions)	145.2
Tenant sales growth (2016/2017)	5.6%
Gross profit 2017 (S/millions)	9.2

Estación Central

Estación Central began operations in March 2010. It is located in downtown Lima in the Metropolitan underground station, and has significant foot traffic. The shopping mall is comprised of small-sized stores.

In order to improve the performance of Estación Central after the acquisition, we have developed an action plan which we expect to implement over the next few years such as developing marketing activities and improving the infrastructure to generate higher margins in this mall. In January, 2018, InRetail Shopping Malls acquired Estación Central from our related party Interseguro.

The following table sets forth information regarding Estación Central shopping mall as of December 31, 2017:

Land Area (m^2)	2,202
Total GLA (m^2)	1,989
Leased Contracts	21
Gross profit 2017 (S/millions)	1.3
Land Area (m^2)	2,202
Total GLA (m^2)	1,989
Leased Contracts	21
Gross profit 2017 (S/millions)	1.3

Expansion and Development Plan 2018-2023

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

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

Our investment plan for 2018 to 2023 contemplates the expansion of four shopping malls in Primavera, Cusco, Chiclayo and Trujillo, which are already in operation; and the construction of four new shopping malls (Puruchuco, San Isidro, San Juan de Lurigancho and Higuereta), all of them will be located in the city of Lima. We currently own 475,468 m^2 of land bank throughout Peru that are available for future projects. In the following paragraphs, we describe in further detail our four largest expansion projects and the opening of four new shopping malls.

Puruchuco Development

Puruchuco will be our next flagship mall and we expect it to be just as important to our franchise as Salaverry, which opened in May 2014. Puruchuco is expected to become the second largest mall in Lima in terms of GLA and is expected to have excellent accessibility due to (i) the direct connection to future Metro 2 line and (ii) the connection to Javier Prado Avenue and Central Highway.

We expect Puruchuco to become the most important shopping mall in the eastern part of Lima, a densely populated area that has been experiencing rapid growth. Puruchuco is expected to open in October 2019 with a total GLA of 120,328 m^2 and an investment of approximately US$120 million which we expect to finance through a lease. Additionally, this project has potential for an additional GLA of 60,000 m^2 for retail stores and mixed use spaces. The expansion is expected to include the construction of two supermarkets, three department stores, a home improvement store, a cinema and two fast-fashion stores.

San Isidro

We plan to develop San Isidro as a mixed-use project to attend unsatisfied demand for retail, lodging and offices space in the heart of Lima's financial district. We estimate that San Isidro will attract families and office workers, who belong to the A/B socio-economic level. San Isidro is scheduled to begin operations in June 2020 with a total 43,480 m^2 of GLA.

The construction of the shopping mall is expected to include a supermarket, a home improvement store, a department store, a cinema and a fast-fashion store.

San Juan de Lurigancho Shopping Center

We plan to develop a new shopping mall in the northeast of Lima with a GLA of 35,266 m^2. Currently, there are no shopping centers in San Juan de Lurigancho and we intend to maximize the value per m^2 with an education tower of 7,108 m^2. We estimate that San Juan de Lurigancho will begin operations in August 2021.

The construction is expected to include a hypermarket, a home improvement store, a department store, a cinema and an educational tower.

Higuereta Shopping Center

We plan to develop a power center of 45,360 m^2 in A/B socio-economic neighborhoods of Miraflores and Surco. Additionally, this project contemplates including an option to add a business tower of 12,800 m^2. We estimate that Higuereta will start operations in July 2023.

This construction is expected to include a hypermarket, a department store, a home improvement store and a cinema complex.

Primavera Shopping Mall

We plan to expand our Primavera shopping mall with an additional 6,457 m^2 of GLA in order to enhance competitiveness. The expansion will be made in two phases: (i) the first phase is expected to be developed in 2018 and involves the opening of a fast-fashion store and the development of an exclusive banking zone; (ii) second phase is expected to be developed in 2020 and involves the development of a new restaurant zone and a theater in order to complement our entertainment offer.

Cusco Shopping Mall

We plan to expand our Cusco shopping mall with an additional 23,185 m^2 of GLA to improve the tenant mix. Cusco shopping mall was the first shopping center to arrive and is currently the only operator in the city. This expansion is based on Cusco citizens taken up of our shopping center and the high demand for additional leasable area from our tenants.

The expansion is expected to include the construction of a second department store, a fast fashion, additional GLA for small tenants of 4,020 m^2 and an education tower of 3,238 m^2. We estimate that we will complete this expansion in July 2019.

Chiclayo Shopping Mall

In order to enhance the mixed-use development of our locations, we plan to expand our Chiclayo shopping mall with an education tower of 4,473 m^2 of GLA. We estimate that we will complete this expansion in January 2019.

Trujillo Shopping Mall

In order to enhance the mixed-use development of our locations, we plan to expand our Trujillo shopping mall with an education tower of 4,116 m^2 of GLA. We estimate that we will complete this expansion in January 2019.

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

	Location	Land Area (m^2)
Land Bank		
Location 1	Lima	137,882
Location 2	Lima	114,550
Location 3	Lima	41,200
Location 4	Central Peru	36,542
Location 5	Eastern Peru	29,512
Location 6	Lima	21,743
Location 7	Lima	20,900
Location 8	Southern Peru	20,398
Location 9	Lima	14,064
Location 10	Central Peru	11,337
Location 11	Lima	10,000
Location 12	Lima	5,071
Location 13	Lima	4,364
Location 14	Lima	4,280
Location 15	Northern Peru	3,635
Total Landbank		**475,080**

Competition

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

Regulation

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

Employees

As of December 31, 2017, we had 444 employees. None were unionized. We believe that our relationships with these employees are satisfactory.

Information Management Systems

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

Intellectual Property

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

Insurance

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

Legal Proceedings

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

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

Interproperties Peru

- Proceeding against the Tax Administration Authority of Piura ("SAT Piura"): Interproperties Peru filed a claim against the resolutions issued by the SAT Piura related to a Land Transfer Tax for FY 2013, in which the latter considered that the tax basis had to be calculated over the total property value rather than solely over the land value. In August 2013, SAT Piura was ordered to issue new resolutions recalculating the aforementioned tax. However, as of this date, these resolutions are still pending issuance. On the other hand, the tax debts related to the abovementioned proceeding were paid by Interproperties Peru in 2013, Interproperties Peru requested the refund of such payment and in January 2017 the Tax Court ruled for SAT Piura to recalculate the tax basis that gave rise to the refund. The amount of this claim is S/ 4,022,028.
- Proceeding against the Tax Administration Authority of Huancayo ("SAT Huancayo"): Interproperties Peru filed a claim against the resolutions issued by SAT Huancayo related to a Land Transfer Tax for the 2009 fiscal year, in which the latter considered that the usufruct agreement entered into by Interproperties Peru originated a transfer of property subject to a Land Transfer Tax. In April 2015, Interproperties Peru filed an appeal against the resolutions issued. However, as of this date, this proceeding is still pending final resolution by the Tax Court. The tax debts related to the abovementioned proceeding were secured by a bank letter of guarantee for the amount of S/ 7,087,874; however, default interest has continued to accrue as of the date of this offering memorandum and is expected to be included in the final estimation of the current tax debt.
- Proceeding against the Tax Administration Authority of Chimbote ("SAT CH"): Interproperties Peru filed a claim against the resolutions issued by SAT CH related to a Land Transfer Tax for the 2013 fiscal year, in which SAT CH considered that the Land Transfer Tax was partially paid by Interproperties Peru. In August 2017, SAT CH was ordered to issue new resolutions recalculating the aforementioned tax. However, as of the date of this offering memorandum, these resolutions are still pending issuance. The amount of this claim is S/ 371,178.

DESCRIPTION OF THE ISSUER

Establishment of the Issuer

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

Issuer Assets and Certificates of Participation

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

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

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

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

The Participants' Meetings of the Issuer

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

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

Management of the Issuer

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

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

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

Interproperties Peru

Interproperties Peru is a Peruvian trust (*fideicomiso de titulización*) that has issued, through the Trustee, 23 classes of certificates of participation. Each class represents certain rights (ownership, ground leases, etc.) to a specific project (real property or group of properties and/or assets transferred in trust to Interproperties Peru). Classes 1, 2, 3, 4, 7, 8, 9, 10, 11, 12, 13, 14, 15 and 16 are inoperative. Interproperties Holding owns 100% of the certificates of class 20. Interproperties Holding II owns 100% of the certificates of participation of three other classes. As of today, there are five classes whose certificates of participation belong to third parties (Interseguro, Intercorp Peru and Urbi Propiedades).

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

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

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

Peru; and (vii) request information from the Trustee and the Administration Committee regarding the status of Interproperties Peru.

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

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

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

Standard of Care for the ISM Trustee

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

Payment of Distributions

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

Priority of Payments

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

- The administrative and operating expenses derived from the activities of the Issuer, including expenses derived from commissions, whether internal or market-related, banking expenses (checks, transfer fees, etc.) and, in general, any expense related to the administration of the Issuer, as well as those taxes to be paid on the account thereof, including, but not limited to, the payment of VAT, as well as notary expenses related to, the formalization of legal acts.

- Taxes applicable to and levied on (i) the projects and their development and the rest of the activities of the Issuer; (ii) the formalization of any instruments necessary for the transfer in trust of any asset in favor of the Issuer, depending on the nature thereof; and (iii) the costs and expenses needed for the execution and development of the corresponding project.

- The payment of fees and commissions of the ISM Trustee in connection with its services to the Issuer.

- The payment of the indebtedness obligations assumed by the Issuer, including payment of debt instruments issued by the Issuer, such as these notes.

- The expenses for holding the Issuer's Participants' Meetings.

- The cash flows from dividends distributed to the holders of participation certificates.

Liquidation of the Issuer

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

- if a material adverse effect is approved and declared by the Participants' Meeting. For this purpose, the term "material adverse effect" is defined in the Trust Deed as any act, fact, event, action, omission or circumstance that has a material adverse effect on the economic or financial condition, operations, businesses, properties or projects of the Issuer that is caused by, among others, any act, fact, event, action, omission, circumstance or force majeure that affects the capacity of the Issuer to comply with its obligations or affects the validity, legality or enforceability of the documents related to the incorporation of the Issuer, as approved and declared by the Participants' Meeting.

- if one-third of the obligations of the Issuer become due and payable, and remain unpaid for a term of 30 calendar days.

- if accumulated losses, after deducting reserves, exceed one-third of the net worth of the Issuer.

Priority of Payments in a Liquidation Procedure

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

- The Participants' Meeting shall appoint a liquidator.

- The liquidator shall prepare an inventory of the assets of the Issuer, excluding the assets that secure obligations of the Issuer or third parties.

- The liquidator shall identify the liabilities of the Issuer.

- The liquidator shall pay any liability of the Issuer with its assets, provided that any secured liability shall be paid with the proceeds of the corresponding assets, prior to unsecured liabilities.

- Any remaining assets that were contributed to the Issuer under the condition of being returned after liquidation (*con retorno*) shall be transferred by the liquidator to the applicable beneficiaries who contributed such assets.

- Any remaining assets shall be transferred in favor of the remaining beneficiaries of the trust, on a *pro rata* basis.

Assets of the Issuer

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

1. 100% of the certificates of participation of Interproperties Holding;

2. 100% of the certificates of participation of Interproperties Holding II; and

3. 99.99% participation in the equity interests of Real Plaza.

In addition, InRetail Shopping Malls has a participation of 22.7% in the ownership of San Martin de Porres land, together with Interseguro and Intercorp Peru.

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

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

Operating Shopping Malls

Land	Owner of the CoP	Class	File Number at Property Registry	Acquired Right	Liens/Encumbrances	Contract Expiration
Chiclayo	Interproperties Holding II	6	11065678/11065680/11068681 Public Registry of Chiclayo	Owner	(i) Subject to Leasing with Banco de Crédito del Peru (S/36 million+VAT and US$ 20million +VAT) (ii) Property registered in favor of Banco de Crédito del Peru	N/A
Centro Cívico	Interproperties Holding II	18	49069056 Public Registry of Lima	Groundlease	N/A	Dec-38
Arequipa	Interproperties Holding	20	11152880 Public Registry of Arequipa	Groundlease	N/A	Oct-39
Huancayo	Interproperties Holding	20	02011449 Public Registry of Huancayo	Groundlease	N/A	Oct-39
Trujillo	Interproperties Holding	20	11084317/11084319/11084320/11084321 Public Registry of Trujillo	Owner	Lien in favor of Norsol S.A.C.*	N/A
Nuevo Chimbote	Interproperties Holding	20	11057574 Public Registry of Chimbote	Owner	N/A	N/A
Unión	Interproperties Holding	20	49053885 Public Registry of Lima	Owner	N/A	N/A
Cajamarca	Interproperties Holding	20	11121116 Public Registry of Cajamarca	Owner	N/A	N/A
Santa Clara	Interproperties Holding	20	12260410 Public Registry of Lima	Owner	(i) Groundlease in favor of Supermercados Peruanos S.A.	N/A
Primavera Zona Centro + Sur	Interproperties Holding	20	45448894 Public Registry of Lima	Owner	N/A	N/A

Land	Owner of the CoP	Class	File Number at Property Registry	Acquired Right	Liens/Encumbrances	Contract Expiration
Salaverry	Interproperties Holding	20	47447349 Public Registry of Lima	Groundlease	N/A	Mar-45
PRO	Interproperties Holding	20	07076422 Public Registry of Lima	Owner	N/A	N/A
Juliaca	Interproperties Holding	20	11002410 Public Registry of Juliaca	Groundlease	N/A	Set-39
Huánuco	Interproperties Holding II	21	02016676 Public Registry of Huánuco	Groundlease	N/A	Jun-82
Chorrillos (Guardia Civil)	Interproperties Holding II	21	11681407 Public Registry of Lima	Owner	N/A	N/A
Piura	Interproperties Holding II	21	1108093 Public Registry of Piura	Owner	N/A	N/A
Primavera Zona Norte	Interproperties Holding II	21	45448894 Public Registry of Lima	Owner	N/A	N/A
Sullana	Interproperties Holding II	21	11000338 Public Registry of Sullana	Owner	N/A	N/A
Pucallpa	Interproperties Holding II	21	11075978 Public Registry of Coronel Portillo	Owner	N/A	N/A

* Within 19 years, Norsol will have a preferential option for the related acquisition of the certificates of participation.

Land	Owner of the CoP	Class	File Number at Property Registry	Acquired Right	LienS/Encumbrances	Contract Expiration
Cañete	Interproperties Holding	20	P03079534 Public Registry of Lima	Owner	N/A	N/A
San Juan de Lurigancho (Zárate)	Interproperties Holding	20	12255071 Public Registry of Lima	Owner	(i) Groundlease in favor of Supermercados Peruanos S.A.	N/A
Chacarilla	Interproperties Holding II	21	12026561; 12026562 Public Registry of Lima	Owner	N/A	N/A
Puruchuco	Interproperties Holding II	21	49086980 Public Registry of Lima	Owner	N/A	N/A
Zapallal	Interproperties Holding II	21	12939885 Public Registry of Lima	Owner	N/A	N/A
Carabayllo	Interproperties Holding II	21	07024867 Public Registry of Lima	Owner	N/A	N/A
Carabayllo II (Reyna-Carabayllo)	Interproperties Holding II	21	P01057808 Public Registry of Lima	Owner	N/A	N/A
Lurin	Interproperties Holding II	21	42200336 Public Registry of Lima	Owner	N/A	N/A
Tarapoto - Lote 1 to 9	Interproperties Holding II	21	05005669; 07005296; 05009657; 11000105; 11066769; 11051937; 11051779; 11041813; 05002947 Public Registry of Tarapoto	Owner	N/A	N/A
Pisco	Interproperties Holding II	21	11002042 Public Registry of Pisco	Owner	N/A	N/A
Cusco López	Interproperties Holding II	21	02044653 Public Registry of Cusco	Groundlease	N/A	May-37
Cusco Huillca	Interproperties Holding II	21	8658 Public Registry of Cusco	Groundlease	N/A	Jan-37
Brasil	Interproperties Holding II	21	(i) 49054352 (ii) 11100906 Public Registry of Lima	Groundlease	N/A	Set-43

Interproperties Holding II's Rights in PF IPDS and IPDS

Interproperties Holding II owns 100% of the certificates of participation of PF IPDS, a trust (*fideicomiso de titulización*) organized and existing under the laws of Peru since June 2012. PF IPDS owns 99.99% of the shares of IPDS. IPDS has signed a groundlease with Arzobispado del Cusco for 60 years, over the real estate property where Cusco is located.

The chart below describes the rights that Interproperties Holding II has by being the titleholder of 100% of the certificates of participation of PF IPDS:

Land	Owner of the CoP	Class	File Number at Property Registry	Acquired Right	LienS/Encumbrances	Contract Expiration
Cusco	Interproperties Holding II		05001042 de la Oficina Registral de Cusco	Groundlease	N/A	01/06/2072

MANAGEMENT

Administration Committee and Board of Directors

Our board of directors is comprised of five members, each of which have been appointed to three-year terms. The following table sets forth certain information with respect to the members of our board of directors. The business address of each of our directors is Calle Morelli No. 139 Office 203, San Borja, Lima 41, Peru.

Name	Position	Year of Birth	Year Appointed
Rafael Dasso Montero	Director	1970	2017
Juan Carlos Vallejo.......................................	Director	1964	2017
Augusto Jose Rey Vallarino	Director	1972	2017
Misael Shimizu Mitsumasu	Director	1973	2017
Jose Antonio Maciá Ponce............................	Director	1977	2017

Rafael Dasso has been a member of the Administration Committee since 2014. He is the Chief Executive Officer of Inkafarma and has served as our Executive Vice President and Chief Commercial Officer Chief from 2014 to 2016. He has also serves as Chief Executive Officer of Inkafarma since 2016. Mr. Dasso also serves as Chairman of the Board of Cineplanet (the largest movie theatre chain in Peru), Intralot, NG Restaurants, Inteligo SAB, and Inmobiliaria Milenia. Previously, Mr. Dasso served as Chief Executive Officer of Real Plaza. Mr. Dasso received a degree in business administration from Lehigh University, Pennsylvania, and a master's degree in business administration from the Wharton School of Business at the University of Pennsylvania.

Juan Carlos Vallejo. Mr. Vallejo has been a member of the Administration Committee since 2014. He also serves as the Chief Executive Officer of InRetail Peru Corp. and Supermercados Peruanos S.A. Mr. Vallejo participated in the acquisition of Supermercados Peruanos S.A. in 2003, and has been a board member since then. He actively participated in the takeover and turn-around of Supermercados Peruanos S.A. In 2005, Mr. Vallejo launched Real Plaza, where he was Chief Executive Officer. He was also responsible for the development of Oechsle, Promart and Financiera Uno. Mr. Vallejo served as Chief Executive Officer of Interseguro from 1997 to 2011 and Deputy Chief Executive Officer of Intercorp Financial Services Inc. from 2007 to 2011. Mr. Vallejo received a bachelor's degree in industrial engineering from Universidad de Chile and a master's degree in business administration from INCAE Business School.

Augusto Jose Rey Vallarino. Mr. Rey has been a member of the Administration Committee since 2014. In addition Mr. Rey is on the Board of Directors of Inmobiliaria Milenia, and is the Chief Executive Officer of Financiera Oh!. Mr. Rey joined Intercorp in 2008 and during this time has served as Chief Financial Officer of InRetail Peru Corp., Supermercados Peruanos S.A., and Tiendas Peruanas SA (Oechsle). Prior to joining Intercorp, Mr. Rey worked for seven years at Bain & Company. He holds a bachelor's degree from the University of Lima and an MBA degree from The Wharton School at the University of Pennsylvania.

Misael Shimizu. Mr. Shimizu is a member of the Administration Committee since 2014 Mr. Shimizu was appointed as our Executive Vice President and Chief Business Development Officer in 2014. He also has served as Chief Executive Officer of InRetail Properties since 2011. Mr. Shimizu leads a team of 50 professionals focused on securing InRetail RE's landbank. He served as Business Development Director of Supermercados Peruanos, from 2005 to 2011, being responsible for the development of new stores and securing landbank for future projects. Previously, Mr. Shimizu was an Associate with APOYO Consultoría - Management Consulting and Booz Allen and Hamilton. Mr. Shimizu received a bachelor's degree in economics from the Universidad del Pacífico and a master's degree in business administration from the Amos Tuck School of Business at Dartmouth College.

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

In addition, the board of directors of our Parent Guarantor is comprised of six members, each of whom were appointed in 2013. The following table sets forth certain information with respect to the members of our board of directors. The business address of each of our directors is Carlos Villarán 140, 19th Floor, Lima 13, Peru.

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

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

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

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

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

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

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

Executive Officers

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

Name	Position	Year of Birth	Year Appointed
Daniel Duharte...............................	Chief Executive Officer	1972	2014
Jose Antonio Maciá	Chief Financial Officer	1977	2014
Julio Pavletich	Chief Operations Officer	1968	2017
Rodrigo Sarria	Chief Project Development officer	1972	2010
Alfredo Oliva..................................	Vice President of Business and Human Resources	1981	2017
Sebastian Montero	Vice President of Commercial and Marketing	1976	2017

* Represents the year each individual was appointed as an officer in one of our pre-existing subsidiaries.

Daniel Duharte. Mr. Duharte has served as our Chief Executive Officer since July 2016 and previously he has served as our Vice President of Sales, Marketing and Store Planning Division from since 2014, having had the same position in Real Plaza since 2012. Previously, Mr. Duharte served as Commercial and Marketing Manager in Mall Aventura Plaza from 2009 to 2012. Mr. Duharte also worked at DIAGEO from 2006 to 2009, serving as Marketing Manager in Peru, Ecuador and Bolivia. Previously, Mr. Duharte also worked at TETRA PAK from 2002 to 2006, serving as Commercial Manager in Peru and Bolivia. Mr. Duharte received a bachelor`s degree in business administration from the Lima University and a post-graduate degree in Marketing from ESAN

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

Julio Pavletich. Mr. Pavletich has served as our Chief Operations and Retail Architecture Officer since September 2016. Prior to this role, in 2016 he was Operations Manager at Urbanova Inmobiliaria SAC, real estate arm of the Brecca Group. He served for five years between 2011 and 2016 as Operations Manager of Mall Aventura Plaza and was Account Manager at Binswanger Peru from 2008 to 2011. He previously worked for the state as a public servant for nine years in entities such as the Regional Government of Lima Provinces, Public Ministry-State Prosecutor's Office, Public Registries in Arequipa Region and Public Registries in Los Libertadores Wari Region. Mr. Pavletich is a Business Administrator and has a post-graduate degree in Human Resources from the Polytechnic University of Madrid and a post-graduate degree in Administrative Auditing from the Association of Graduates in Administration of Lima.

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

Alfredo Oliva. Mr. Oliva has served as our Vice President of Business and Human Resources since 2017. Previously he has worked in Real Plaza as the Administrative Director. Mr. Oliva received a degree as a Commercial Engineer from Universidad de Lima and a master's degree in finance from CENTRUM (Peru) and a master's degree in business administration from ICAE.

Sebastián Montero. Mr. Montero has served as our Vice President of Commercial and Marketing since 2017. Previously he worked for Falabella group since 2004 for 13 years, serving as Commercial Manager for Open Plaza from 2013 to 2016 and in Mall Plaza Peru as Development Manager between 2010 and 2013. Previously he worked in Mall Plaza Chile between 2004 and 2009. Mr Montero received a degree as a Commercial Engineer from Universidad Gabriela Mistral in Chile and a master’s degree in business administration from ESE Business School at Universidad Los Andes in Chile.

RELATED PARTY TRANSACTIONS

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

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

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

For additional information about certain transactions with related parties and affiliates, see Note 27 to our audited annual consolidated financial statements elsewhere in this offering memorandum.

Operating Transactions

Related party tenants

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

Purchase of Malls and Land from Interseguro.

See "Business—Shopping Malls."

Intertítulos Management

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

Contractual Agreement with Supermercados Peruanos

On July 1, 2016 we entered into a contractual agreement with Supermercados Peruanos S.A. ("SPSA"); whereby SPSA carried out the construction and development of the Villa Maria hopping center and we made the necessary contributions to execute the project in exchange for a share in the net income. We have a 60% participation in this project.

Groundlease Lurin

On June 27, 2016, Interproperties Peru entered into a Groundlease Agreement with SPSA over the land of Lurin I in which we allow SPSA to develop a shopping center in exchange for monthly rent with a fixed and variable component.

Financing Transactions

Intercompany Loan

With part of the net proceeds from this offering, we intend to make a US$125 million loan to our parent InRetail Peru Corp to partially repay the Bridge Loan. See "Plan of Distribution—Relationships with the Initial Purchasers" and "Use of Proceeds." The intercompany loan is expected to have a 10 year-term and accrue interest at the same rate as the notes. See "Risk Factors—Our substantial indebtedness may make it difficult for us to service our debt, including the notes, and to operate our businesses."

Other financial products

As part of its ongoing treasury operations, Interproperties Peru has obtained other financial products from Interbank, including, among others, letters of guarantee and letters of credit. As of the date of this offering memorandum, S/19.8 million of such financial products was outstanding.

DESCRIPTION OF THE NOTES

The Issuer will issue the notes under the Indenture (the "Indenture"*) among itself, the Guarantors, The Bank of New York Mellon, as indenture trustee (the* "Indenture Trustee"*) and The Bank of New York Mellon S.A./N.V., Luxembourg Branch, as Luxembourg paying agent and Luxembourg transfer agent. This description of notes is intended to be a useful overview of the material provisions of the notes and the Indenture. Since this description of notes is only a summary, it does not contain all of the details found in the full text of, and is qualified in its entirety by the provisions of, the notes and the Indenture. You should refer to the Indenture for a complete description of the obligations of the Issuer, the Guarantors and your rights. The Issuer will make a copy of the Indenture available to the Holders and to prospective investors upon request.*

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

General

The notes:

- will be general unsecured, senior obligations of the Issuer;
- will initially be limited to an aggregate principal amount of US$350 million;
- mature on April 3, 2028, whereupon the principal will be repaid at 100% of its nominal amount;
- will be unconditionally Guaranteed on a senior basis by the Guarantors. See "—Note Guarantees";
- will be issued in denominations of US$10,000 and integral multiples of US$1,000 in excess thereof; and
- will be represented by one or more registered notes in global form, but in certain circumstances may be represented by notes in definitive form. See "Book-Entry, Delivery and Form."

Interest on the notes will:

- accrue at the rate of 5.750% per annum;
- accrue from the date of original issuance or, if interest has already been paid, from the most recent interest payment date;
- be payable in cash semi-annually in arrears on April 3 and October 3 each year, commencing on October 3, 2018;
- be payable to the Holders of record at the close of business on March 29 and September 29 (whether or not a Business Day) immediately preceding the related interest payment dates; and
- be computed on the basis of a 360 day year comprised of twelve 30 day months.

The Issuer may from time to time, without notice or consent of the Holders of the notes, create and issue an unlimited principal amount of additional notes (the "*Additional Notes*") having the same terms and conditions (except for issue date, issue price and, if applicable, the first interest payment date) as, and forming a single series with, the notes initially issued in this offering; *provided* that any Additional Notes shall be issued under a separate CUSIP or ISIN number unless the Additional Notes are issued pursuant to a "qualified reopening" of, or are otherwise fungible with, the notes sold in this offering for U.S. federal income tax purposes.

Note Guarantees

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

The Initial Subsidiary Guarantors include (i) InterProperties Holding and InterProperties Holding II, which hold all of our and our subsidiaries' certificates of participation (*certificados de participación*) in InterProperties Peru and, in the case of Interproperties Holding II, also in Interproperties Puerta del Sol, and (ii) Real Plaza. However, even though Interproperties Peru, Interproperties Puerta del Sol and Inmobiliaria Puerta del Sol will initially be Restricted Subsidiaries under the Indenture, Holders of the notes will not benefit from any Guarantee by Interproperties Peru, Interproperties Puerta del Sol or Inmobiliaria Puerta del Sol, which currently hold all of our and our Subsidiaries' shopping center and mall properties. As a result, any existing or future liabilities (including Indebtedness) of Interproperties Peru, Interproperties Puerta del Sol and Inmobiliaria Puerta del Sol will be structurally senior to the notes. For more information, see "Description of the Issuer" in this offering memorandum.

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

The Indenture will provide that each Note Guarantee by a Guarantor will be automatically and unconditionally released and discharged upon:

(1) (a) in the case of a Subsidiary Guarantor, any sale, assignment, transfer, conveyance, exchange or other disposition (by merger, consolidation or otherwise) of the Capital Stock of a Subsidiary Guarantor after which the applicable Subsidiary Guarantor is no longer a Restricted Subsidiary, which sale, assignment, transfer, conveyance, exchange or other disposition is made in compliance with the applicable provisions of the Indenture, including "—Repurchase at the Option of Holders—Asset Sales" and the first paragraph under "—Limitation on Activities of Parent and its Restricted Subsidiaries—Merger and Consolidation"; *provided* that (x) all the obligations of such Subsidiary Guarantor under all other Indebtedness of the Issuer and its Restricted Subsidiaries terminate upon consummation of such transaction and (y) any Investment of the Parent or any other Subsidiary of the Parent (other than any Subsidiary of such Subsidiary Guarantor) in such Subsidiary Guarantor or any Subsidiary of such Subsidiary Guarantor in the form of an Obligation or Preferred Stock is repaid, satisfied, released and discharged in full upon such release;

(b) in the case of a Subsidiary Guarantor that is not an Initial Subsidiary Guarantor or a Significant Subsidiary, the release or discharge of such Subsidiary Guarantor from its Guarantee of Indebtedness of the Issuer, the Parent and Subsidiary Guarantor that resulted in the obligation of such Subsidiary Guarantor to provide a Note Guarantee, if such Subsidiary Guarantor would not then otherwise be required to provide a Note Guarantee pursuant to the Indenture; *provided* that, if such Person has Incurred any Indebtedness in reliance on its status as a Subsidiary Guarantor under the covenant "—Certain Covenants—Limitation on Indebtedness," such Subsidiary Guarantor's obligations under such Indebtedness, as the case may be, so Incurred are satisfied in full and discharged or are otherwise permitted to be Incurred by a Restricted Subsidiary (other than a Subsidiary Guarantor) under "—Certain Covenants—Limitation on Indebtedness";

(c) the designation of any Subsidiary Guarantor as an Unrestricted Subsidiary; or

(d) the Issuer's exercise of its legal defeasance option or, except in the case of the Parent's Note Guarantee, covenant defeasance option as described under "—Defeasance," or the satisfaction and discharge of the Issuer's obligations under the Indenture in accordance with the terms of the Indenture; and

(2) such Guarantor delivering to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for in the Indenture relating to such transaction and release have been complied with.

Ranking

The notes and the Note Guarantees will be senior unsecured obligations of the Issuer and the Guarantors, respectively, and will rank:

(1) equal in right of payment with all of the Issuer's and the Guarantors' respective existing and future senior unsecured indebtedness; and

(2) senior in right of payment to any of the Issuer's and the Guarantors' respective future subordinated indebtedness.

The notes and the Note Guarantees will effectively rank junior to all of the Issuer's and the Guarantors' respective existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness. The notes and the Note Guarantees will effectively rank junior to any existing and future obligations of the Issuer and the Guarantors that are granted preferential treatment pursuant to Peruvian or other applicable law, such as labor and tax obligations. The notes and the Note Guarantees will be structurally subordinated to all existing and future liabilities of any Subsidiaries that do not provide a Note Guarantee.

As of December 31, 2017, our and our consolidated subsidiaries' outstanding indebtedness (excluding intercompany indebtedness) was S/1,192 million of which S/47.4 million was secured indebtedness owed by non-Guarantors. For more information, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this offering memorandum. As of December 31, 2017, calculated on a pro forma basis and adjusted to give effect to this offering of notes, including the use of proceeds described herein, as if all such transactions had occurred on such date, we had S/1,723.8 million (US$531.9 million) of outstanding consolidated indebtedness (excluding intercompany indebtedness), of which S/47.4 million (US$14.6 million) was secured indebtedness.

Although the Indenture will limit the amount of Indebtedness that the Parent and its Restricted Subsidiaries may Incur, such Indebtedness may be substantial and a significant portion of such Indebtedness may be Secured Indebtedness or structurally senior to the notes.

Payments on the Notes; Transfer and Exchange

The Issuer will pay, or cause to be paid, the principal of, premium, if any, and interest on the notes in definitive, non-global form at the office or agency designated by the Issuer, except that the Issuer may, at its option, pay interest on the notes in definitive, non-global form by check mailed to Holders at their registered address set forth in the registrar's books.

The Issuer will pay principal of, premium, if any, and interest on, notes in global form registered in the name of or held by The Depository Trust Company ("*DTC*") or its nominee in immediately available funds to DTC or its nominee, as the case may be, as the registered Holder of such global note.

The Issuer has initially designated the corporate trust office of the Indenture Trustee to act as a paying agent ("*Paying Agent*"), a transfer agent ("*Transfer Agent*") and the registrar (the "*Registrar*"). The Issuer may, however, change any Paying Agent, Transfer Agent or Registrar without prior notice to the Holders, and the Issuer or any of its Restricted Subsidiaries may act as Paying Agent, Transfer Agent or Registrar.

A Holder may transfer or exchange notes in accordance with the Indenture. The Registrar and the Transfer Agent may require a Holder, among other things, to furnish appropriate endorsements and transfer documents. No service charge will be imposed by the Issuer, the Registrar or the Transfer Agent for any registration of transfer or exchange of notes, but the Issuer, the Registrar or the Transfer Agent may require a Holder to pay a sum sufficient to cover any transfer tax or other governmental taxes and fees required by law or permitted by the Indenture. The Issuer, the Registrar or the Transfer Agent are not required to transfer or exchange any note selected for redemption. Also, the Issuer is not required to transfer or exchange any note for a period of 15 days before the day of any selection of notes to be redeemed.

The registered Holder of a note will be treated as the owner of it for all purposes.

Additional Amounts

All payments in respect of the notes (including any payments made pursuant to a Note Guarantee) will be made free and clear of and without any withholding or deduction for or on account of any present or future Taxes (as defined below), unless the withholding or deduction of such Taxes is required by law or by the administration thereof. If the applicable withholding agent is so required by any law of any Taxing Jurisdiction (as defined below) to withhold or deduct any Taxes from or in respect of any sum payable under the notes, the Issuer or the applicable Guarantor, as the case may be, will (a) pay such additional amounts ("*Additional Amounts*") as may be necessary in order that the net amounts receivable by Holders of any notes after such withholding or deduction (including any withholding or deduction in respect of such payment of Additional Amounts) equals the respective amounts which would have been receivable by such Holders in the absence of such withholding or deduction, (b) make such withholding or deduction, and (c) pay the full amount withheld or deducted to the relevant tax or other authority in accordance with applicable law, except that no such Additional Amounts will be payable in respect of any note:

(a) to the extent that such Taxes are imposed or levied by reason of such Holder (or the beneficial owner) having some connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of such note or receiving principal or interest payments on the notes or enforcing its rights thereunder (including, but not limited to, citizenship, nationality, residence, domicile, or existence of a business, permanent establishment, a dependent agent, a place of business or a place of management present or deemed present in the Taxing Jurisdiction);

(b) to the extent that any Tax is imposed other than by deduction or withholding from payments of principal, premium, if any, or interest on the note;

(c) in respect of any Taxes that would not have been so deducted or withheld but for the failure by the Holder (or beneficial owner) to comply with any certification, identification or other reporting requirement concerning such Holder's (or beneficial owner's) nationality, residence, identity or connection with the Taxing Jurisdiction if (1) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or part of the Taxes, (2) the Holder (or beneficial owner) is able to comply with these requirements without undue hardship and (3) the Issuer has given the Holders (or beneficial owners) at least 30 calendar days prior notice that they will be required to comply with such requirement;

(d) in the event that the Holder fails to surrender (where surrender is required) its note for payment within 30 days after the Issuer has made available a payment of principal or interest; *provided* that the Issuer will pay Additional Amounts to which a Holder would have been entitled had the note been surrendered on the last day of such 30 day period;

(e) to the extent that such Taxes are estate, inheritance, gift, personal property, excise, transfer, use or sales or any similar Taxes;

(f) where such Taxes are imposed on or in respect of any Note pursuant to sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), any successor law or regulation implementing or complying with, or introduced in order to conform to, such sections or any intergovernmental agreement or any agreement entered into pursuant to section 1471(b)(1) of the Code; or

(g) any combination of items (a) through (f) above.

Furthermore, no Additional Amounts will be paid to a Holder that is a fiduciary or a partnership or not the sole beneficial owner of such payment to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or such beneficial owner would not have been entitled to receive the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the Holder.

"*Taxes*" means, with respect to payments on the notes, all taxes, withholdings, duties, assessments or governmental charges in the nature of a tax (including related penalties, interest and other liabilities) imposed or levied by or on behalf of Peru or any jurisdiction in which the Issuer or a Guarantor is organized or otherwise resident for tax purposes or through which payments are made in respect of the notes or, in the event that the Issuer appoints additional Paying Agents, the jurisdiction of any such additional Paying Agents or, in each case, any political subdivision thereof or any authority or agency therein or thereof having power to tax (each, a "*Taxing Jurisdiction*").

The Issuer will provide the Indenture Trustee with the official acknowledgment of the relevant Taxing Jurisdiction (or, if such acknowledgment is not available, other reasonable documentation) evidencing any payment of any Taxes in respect of which the Issuer or a Guarantor has paid any Additional Amounts. Copies of such documentation will be made available to the Holders or beneficial owners of the notes or the Paying Agents, as applicable, upon request therefor.

In addition, the Issuer will pay any stamp, issue, excise, property, registration, documentary or other similar taxes and duties, including interest and penalties, imposed by a Taxing Jurisdiction in respect of the creation, issue, delivery, registration and offering of the notes or the execution of the notes, the Note Guarantees, the Indenture or any other related document or instrument. The Issuer will also pay and indemnify the Indenture Trustee, the Holders and beneficial owners from and against all court taxes or other taxes and duties, including interest and penalties, paid by any of them in any jurisdiction in connection with any action permitted to be taken by the Indenture Trustee, the Holders and beneficial owners to enforce the Issuer's obligations under the notes.

All references in this offering memorandum to principal, premium, if any, and interest on the notes will include any Additional Amounts payable in respect of such principal, premium, if any, and interest.

Optional Redemption

Optional Make-Whole Redemption

At any time, or from time to time, prior to April 3, 2023, the Issuer may, at its option, redeem the notes, in whole or in part, at a redemption price equal to the greater of (1) 100% of the principal amount of such notes and (2) the sum of the present value at such redemption date of (i) the redemption price of the notes on April 3, 2023 (such redemption price being set forth in the table below under "—Optional Scheduled Redemption") plus (ii) all required interest payments thereon through April 3, 2023 (excluding accrued but unpaid interest to the redemption date), discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 50 basis points, in each case plus accrued and unpaid interest thereon to the redemption date (the "*Make-Whole Amount*").

"*Comparable Treasury Issue*" means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to April 3, 2023, that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to April 3, 2023.

"*Comparable Treasury Price*" means, with respect to any redemption date, (1) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotation or (2) if fewer than four such Reference Treasury Dealer Quotations are obtained, the average of all such quotations.

"*Independent Investment Banker*" means one of the Reference Treasury Dealers appointed by the Issuer.

"*Reference Treasury Dealer*" means Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Credit Suisse Securities (USA) LLC or their respective affiliate that is a primary United States government securities dealer in New York City (a "*Primary Treasury Dealer*"), and not less than two other leading Primary Treasury Dealers reasonably designated by the Issuer; *provided* that if any of the foregoing cease to be a Primary Treasury Dealer, the Issuer will substitute therefor another Primary Treasury Dealer.

"*Reference Treasury Dealer Quotation*" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by an Independent Investment Banker, of the bid and asked price for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the third Business Day preceding such redemption date.

"*Treasury Rate*" means, with respect to any redemption date, the rate per annum equal to the semi-annual equivalent yield to maturity or interpolated maturity (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

Optional Scheduled Redemption

At any time, or from time to time, on and after April 3, 2023, the Issuer may, at its option, redeem the notes, in whole or in part, at the following redemption prices (expressed as a percentage of principal amount of the notes to be redeemed) set forth below, plus accrued and unpaid interest on the notes, if any, to the applicable redemption date, if redeemed during the twelve month period beginning on April 3 of each of the years indicated below.

Year	Percentage
April 3, 2023	102.875%
April 3, 2024	101.917%
April 3, 2025	100.958%
April 3, 2026 and thereafter...	100.000%

Optional Redemption Upon Equity Offerings

At any time, or from time to time, on or prior to April 3, 2021, the Issuer may, at its option, redeem up to 35% of the outstanding aggregate principal amount of the notes (calculated after giving effect to any issuance of Additional Notes) with the Net Cash Proceeds of one or more Equity Offerings at a redemption price equal to 105.750% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the applicable redemption date; *provided* that

(1) at least 65% of the aggregate principal amount of the notes (calculated after giving effect to any issuance of Additional Notes) remains outstanding after each such redemption; and

(2) such redemption occurs within 90 days after the closing of such Equity Offering.

Tax Redemption

The Issuer may redeem the notes, in whole but not in part, at 100% of their outstanding principal amount plus accrued and unpaid interest to the redemption date and any Additional Amounts payable with respect thereto, only if:

(1) on the next interest payment date the Issuer or applicable Guarantor would be obligated to pay Additional Amounts in respect of interest on the notes or Note Guarantee in excess of the Additional Amounts that it would pay if interest payments in respect of the notes or Note Guarantee were subject to deduction or withholding at a rate of 4.99% generally (determined without regard to any interest, fees, penalties or other additions to tax), as a result of any change in, or amendment to, the laws or regulations of any Taxing Jurisdiction, or any change in, or a pronouncement by competent authorities of the relevant Taxing Jurisdiction with respect to, the official application or official interpretation of such laws or regulations, which change, amendment or pronouncement occurs after the Issue Date (or, in the case of any withholding taxes imposed by a jurisdiction that becomes a Taxing Jurisdiction after the Issue Date, after the date such jurisdiction becomes a Taxing Jurisdiction); and

(2) such obligation cannot be avoided by the Issuer or applicable Guarantor taking reasonable measures available to it; *provided* that for this purpose reasonable measures shall not include any change in the Issuer's jurisdiction of organization or location of its principal executive office. For the avoidance of doubt, reasonable measures may include a change in the jurisdiction of a Paying Agent, *provided* that such change shall not require the Issuer to incur material additional costs or legal or regulatory burdens.

No notice of redemption pursuant to the preceding paragraph will be given earlier than 60 days prior to the earliest date on which the Issuer or applicable Guarantor would be obligated to pay such Additional Amounts if a payment in respect of the notes or Note Guarantee were then due.

Prior to the giving of any such notice of redemption of the notes as described under "—Notices," the Issuer must deliver to the Indenture Trustee an Officer's Certificate confirming that it is entitled to exercise such right of redemption. The Issuer will also deliver to the Indenture Trustee an Opinion of Counsel of recognized standing that is independent of the Issuer stating that it (or an applicable Guarantor) would be obligated to pay such Additional Amounts due to the changes in tax laws or regulations or changes in, or pronouncements with respect to, the official application or official interpretation of such laws or regulations. The Indenture Trustee will accept this certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set forth in clauses (1) and (2) above, in which event it will be conclusive and binding on the Holders.

Redemption Procedures

The Issuer will give a notice of redemption to each Holder (which, in the case of global notes, will be DTC) in accordance with the procedures described under "—Notices" at least 10 days and not more than 60 days prior to the redemption date. A notice of redemption will be irrevocable.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the notes called for redemption on and after the redemption date.

In the case of any partial redemption, selection of the notes for redemption will be made by the Indenture Trustee in compliance with the requirements of the Luxembourg Stock Exchange, for so long as the notes are listed on the Luxembourg Stock Exchange, or, if the notes are not listed, to the extent permitted under applicable law, on a *pro rata* basis or by lot (in each case, subject to the procedures of DTC in the case of global notes). No notes of US$10,000 in principal amount or less will be redeemed in part. If any note is to be redeemed in part only, the notice of redemption relating to such note will state the portion of the principal amount thereof to be redeemed. A new note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original note.

Mandatory Redemption; Open Market Purchases

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the notes. However, under certain circumstances, the Issuer may be required to offer to purchase the notes as described under the caption "—Repurchase at the Option of Holders."

The Issuer may acquire notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws, so long as such acquisition does not otherwise violate the terms of the Indenture.

Repurchase at the Option of Holders

Change of Control

If a Change of Control Event occurs, unless the Issuer has exercised its right to redeem all of the notes as described under "—Optional Redemption" prior to the Change of Control Event, the Issuer or the Parent will make an offer to purchase all of the notes (the "*Change of Control Offer*") at a purchase price in cash equal to 101% of the principal amount of the notes plus accrued and unpaid interest, if any, to the date of purchase (the "*Change of Control Payment*").

Within 30 days following any Change of Control Event, unless the Issuer has exercised its right to redeem all of the notes as described under "—Optional Redemption" prior to the Change of Control Event, the Issuer or the Parent will give a notice of such Change of Control Offer to each Holder or otherwise give notice in accordance with the applicable procedures of DTC, with a copy to the Indenture Trustee, stating:

(1) that a Change of Control Offer is being made and that all notes properly tendered pursuant to such Change of Control Offer will be accepted for purchase by the Issuer or the Parent at a purchase price in cash equal to 101% of the principal amount of such notes plus accrued and unpaid interest, if any, to the date of purchase;

(2) the purchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is given) (the "*Change of Control Payment Date*"); and

(3) the procedures determined by the Issuer or the Parent, consistent with the Indenture, that a Holder must follow in order to have its notes repurchased.

On the Business Day immediately preceding the Change of Control Payment Date, the Issuer or the Parent will, to the extent lawful, deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes so tendered.

On the Change of Control Payment Date, the Issuer or the Parent will, to the extent lawful:

(1) accept for payment all notes or portions of notes (of US$10,000 or larger integral multiples of US$1,000 in excess thereof) properly tendered pursuant to the Change of Control Offer; and

(2) deliver or cause to be delivered to the Indenture Trustee for cancellation the notes so accepted together with an Officer's Certificate stating the aggregate principal amount of notes or portions of notes being purchased by the Issuer in accordance with the terms of this covenant.

The Paying Agent will promptly deliver to each Holder of notes so tendered the Change of Control Payment for such notes, and, if only a portion of the notes is purchased pursuant to a Change of Control Offer, the Indenture Trustee will promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder a new note equal in principal amount to any unpurchased portion of the notes surrendered upon cancellation of the original note (or appropriate adjustments to the amount and beneficial interest in a global note will be made, as appropriate); *provided* that each such new note will be in a principal amount of US$10,000 or integral multiples of US$1,000 in excess thereof.

If the Change of Control Payment Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest to the Change of Control Payment Date will be paid on the relevant interest payment date to the Person in whose name a note is registered at the close of business on such record date.

The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control Event, the Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the notes in the event of a takeover, recapitalization, leveraged buyout or similar transaction.

Future Indebtedness of the Issuer or the Parent may contain prohibitions on the occurrence of events that would constitute a Change of Control Event or require that Indebtedness be repurchased upon a Change of Control Event. Moreover, the exercise by the Holders of their right to require the Issuer or the Parent to repurchase the notes upon a Change of Control Event could cause a default under other future Indebtedness even if the Change of Control Event itself does not.

If a Change of Control Offer occurs, the Issuer or the Parent may not have available funds sufficient to make the Change of Control Payment for all the notes that might be delivered by Holders seeking to accept the Change of Control Offer. In the event the Issuer or the Parent is required to purchase outstanding notes pursuant to a Change of Control Offer, the Issuer or the Parent expect either of them would seek third party financing to the extent either of them does not have available funds to meet its purchase obligations and any other obligations it may have. However, the Issuer and the Parent cannot assure you that they would be able to obtain necessary financing, and the terms of the Indenture may restrict the ability of the Issuer or the Parent to obtain such financing.

The Issuer and the Parent will not be required to make a Change of Control Offer upon a Change of Control Event if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer or the Parent and purchases all notes validly tendered and not withdrawn under such Change of Control Offer or (2) notice of redemption has been given with respect to all of the notes pursuant to the Indenture prior to the related Change of Control Event as described above under "—Optional Redemption," unless and until there is a default in payment of the applicable redemption price.

The Issuer and the Parent will comply, to the extent applicable, with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws or regulations in connection with the repurchase of notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer and the Parent will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations described in the Indenture by virtue of the conflict or such compliance.

The Change of Control provisions described above may deter certain mergers, tender offers and other takeover attempts involving the Issuer or the Parent by increasing the capital required to effectuate such transactions. The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of the Parent and its Restricted Subsidiaries taken as a whole to any Person (other than Permitted Holders). Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the property or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer and Parent to make an offer to repurchase the notes as described above as a result of a Change of Control Event.

Except as otherwise stated under "–Amendments and Waivers," certain provisions under the Indenture relating to the Issuer's and the Parent's obligation to make an offer to repurchase the notes as a result of a Change of Control Event may be waived or modified at any time with the written consent of the Holders of a majority in principal amount of the notes.

Asset Sales

The Parent will not, and will not permit any of its Restricted Subsidiaries to, cause or make any Asset Disposition *unless*:

(1) the Parent or such Restricted Subsidiary, as the case may be, receives consideration at least equal to the Fair Market Value (such Fair Market Value to be determined on the date of contractually agreeing to such Asset Disposition) of the shares and assets subject to such Asset Disposition;

(2) at least 75% of the consideration from such Asset Disposition received by the Parent or such Restricted Subsidiary, as the case may be, is in the form of (a) cash or Cash Equivalents, (b) Additional Assets transferred in an Asset Swap or (c) a combination of (a) and (b); and

(3) an amount equal to 100% of the Net Available Cash from such Asset Disposition is applied by the Parent or such Restricted Subsidiary, as the case may be, within 18 months from the later of the date of such Asset Disposition or the receipt of such Net Available Cash, as follows:

    (a) to permanently reduce (and permanently reduce commitments with respect thereto) Secured Indebtedness of the Parent (other than any Disqualified Stock or Subordinated Obligations) or Secured Indebtedness of a Restricted Subsidiary (other than any Disqualified Stock or Guarantor Subordinated Obligations), in each case other than Indebtedness owed to the Parent or an Affiliate of the Parent;

    (b) to permanently reduce obligations under other Indebtedness of the Parent (other than any Disqualified Stock or Subordinated Obligations) or Indebtedness of a Restricted Subsidiary (other than any Disqualified

Stock or Guarantor Subordinated Obligations), in each case other than Indebtedness owed to the Parent or an Affiliate of the Parent;

(c) to invest in Additional Assets; or

(d) any combination of the foregoing;

provided that pending the final application of any such Net Available Cash in accordance with clause (a), (b), (c) or (d) above, the Parent and its Restricted Subsidiaries may temporarily reduce Indebtedness or otherwise invest such Net Available Cash in any manner not prohibited by the Indenture; and *provided*, *further*, that in the case of clause (c), a binding, written commitment to invest in Additional Assets shall be treated as a permitted application of the Net Available Cash from the date of such commitment so long as the Parent or a Restricted Subsidiary enters into such commitment with the good faith expectation that such Net Available Cash will be applied to satisfy such commitment within 24 months of such commitment (an "*Acceptable Commitment*") and such Net Available Cash is actually applied in such manner within the later of 18 months from the consummation of such Asset Disposition and 24 months from the date of the Acceptable Commitment, it being understood that if the Acceptable Commitment is later cancelled or terminated for any reason before such Net Available Cash is applied, then such Net Available Cash not so applied shall constitute Excess Proceeds.

For the purposes of clause (2) above and for no other purpose, the following will be deemed to be cash:

(1) any liabilities (as shown on the Parent's or such Restricted Subsidiary's most recent balance sheet) of the Parent or any Restricted Subsidiary (other than liabilities that are by their terms subordinated to the notes or the Note Guarantees) that are assumed by the transferee of any such assets and from which the Parent and all Restricted Subsidiaries have been validly released by all creditors in writing; and

(2) any securities, notes or other obligations received by the Parent or any Restricted Subsidiary from the transferee that are converted by the Parent or such Restricted Subsidiary into cash (to the extent of the cash received) within 90 days following the closing of such Asset Disposition.

Any Net Available Cash from Asset Dispositions that is not applied or invested as provided in the preceding clause (3) will be deemed to constitute "Excess Proceeds." When the aggregate amount of Excess Proceeds exceeds US$30.0 million, the Issuer or the Parent will be required to, within 30 days thereafter, make an offer ("*Asset Disposition Offer*") to all Holders and, to the extent required by the terms of any outstanding Pari Passu Indebtedness, to all holders of such Pari Passu Indebtedness, to purchase the maximum aggregate principal amount of notes and any such Pari Passu Indebtedness that may be purchased out of the Excess Proceeds, at an offer price in cash in an amount equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of Holders of the notes of record on a record date to receive interest on the relevant interest payment date), in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in each case in denominations of US$10,000 and integral multiples of US$1,000 in excess thereof. The Issuer or the Parent shall commence an Asset Disposition Offer with respect to Excess Proceeds by giving the notice of the Asset Disposition Offer required pursuant to the terms of the Indenture, with a copy to the Indenture Trustee. To the extent that the aggregate amount of notes and Pari Passu Indebtedness validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer or the Parent may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of notes surrendered by Holders thereof and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Issuer shall select the notes and Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate accreted value or principal amount of tendered notes and Pari Passu Indebtedness. Upon completion of such Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

The Asset Disposition Offer will remain open for a period of 20 Business Days following its commencement, except to the extent that a longer period is required by applicable law (the "*Asset Disposition Offer Period*"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer or the Parent will apply all Excess Proceeds to the purchase of the aggregate principal amount of notes and, if applicable, Pari Passu Indebtedness (on a *pro rata* basis, if applicable) required to be purchased pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount of notes (and, if applicable, Pari Passu Indebtedness) has been so validly tendered, all notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer. Payment for any notes so purchased will be made in the same manner as interest payments are made.

If the Asset Disposition Purchase Date is on or after an interest record date and on or before the related interest payment date, any accrued and unpaid interest to the Asset Disposition Purchase Date will be paid to the Person in whose name a note is registered at the close of business on such record date.

On or before the Asset Disposition Purchase Date, the Issuer or the Parent will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of notes and Pari Passu Indebtedness or portions thereof validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all notes and Pari Passu Indebtedness so tendered, in the case of the notes in integral multiples of US$1,000; *provided* that if, following repurchase of a portion of a note, the remaining principal amount of such note outstanding immediately after such repurchase would be less than US$10,000, then the portion of such note so repurchased shall be reduced so that the remaining principal amount of such note outstanding immediately after such repurchase is US$10,000. The Issuer or the Parent will deliver, or cause to be delivered, to the Indenture Trustee the notes so accepted and an Officer's Certificate stating the aggregate principal amount of notes or portions thereof so accepted and that such notes or portions thereof were accepted for payment by the Issuer or the Parent in accordance with the terms of this covenant. The Issuer or the Parent, as the case may be, will promptly, but in no event later than five Business Days after termination of the Asset Disposition Offer Period, mail or deliver to each tendering Holder or holder or lender of Pari Passu Indebtedness, as the case may be, an amount equal to the purchase price of the notes or Pari Passu Indebtedness so validly tendered and not properly withdrawn by such holder or lender, as the case may be, and accepted by the Issuer or the Parent for purchase, and the Issuer will promptly issue a new note, and the Indenture Trustee, upon delivery of an authentication order from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new note to such Holder in a principal amount equal to any unpurchased portion of the note surrendered; *provided* that each such new note will be in a principal amount of US$10,000 or an integral multiple of US$1,000 in excess thereof. In addition, the Issuer and the Parent will take any and all other actions required by the agreements governing the Pari Passu Indebtedness. Any note not so accepted will be promptly mailed or delivered by the Issuer or the Parent to the Holder thereof. The Parent or the Issuer will publicly announce the results of the Asset Disposition Offer on the Asset Disposition Purchase Date.

The Issuer and the Parent will comply, to the extent applicable, with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws or regulations in connection with the repurchase of notes pursuant to an Asset Disposition Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer and the Parent will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of any conflict.

Certain Covenants

The Indenture provides that the following restrictive covenants will be applicable to the Parent and its Restricted Subsidiaries (including, without limitation, the Issuer).

Effectiveness of Covenants

Following the first day:

(a) the notes have an Investment Grade Rating from at least two Rating Agencies; and

(b) no Default has occurred and is continuing under the Indenture,

the Parent and its Restricted Subsidiaries will not be subject to the provisions of the Indenture summarized under the headings below:

- "—Repurchase at the Option of Holders—Asset Sales,"

- "—Limitation on Restricted Payments,"
- "—Limitation on Restrictions on Distributions from Restricted Subsidiaries,"
- "—Limitation on Affiliate Transactions" and
- Clause (4) of the first paragraph of "—Merger and Consolidation."

(collectively, the "*Suspended Covenants*"). If at any time the notes' credit rating is downgraded from an Investment Grade Rating by any of such Rating Agencies, then the Suspended Covenants will thereafter be reinstated as if such covenants had never been suspended (the "*Reinstatement Date*") and be applicable pursuant to the terms of the Indenture (including in connection with performing any calculation or assessment to determine compliance with the terms of the Indenture), unless and until the notes subsequently attain an Investment Grade Rating from at least two Rating Agencies (in which event the Suspended Covenants shall no longer be in effect for such time that the notes maintain an Investment Grade Rating from at least two Rating Agencies); *provided* that no Default, Event of Default or breach of any kind shall be deemed to exist under the Indenture, the notes or the Note Guarantees with respect to the Suspended Covenants based on, and none of the Parent or any of its Subsidiaries shall bear any liability for, any actions taken or events occurring during the Suspension Period (as defined below), regardless of whether such actions or events would have been permitted if the applicable Suspended Covenants remained in effect during such period. The period of time between the date of suspension of the covenants and the Reinstatement Date is referred to as the "*Suspension Period*."

Calculations made after the Reinstatement Date of the amount available to be made as Restricted Payments under "—Limitation on Restricted Payments" will be made as though the covenant described under "—Limitation on Restricted Payments" had been in effect since the Issue Date and throughout the Suspension Period. Accordingly, Restricted Payments made during the Suspension Period will reduce the amount available to be made as Restricted Payments under the first paragraph of "—Limitation on Restricted Payments."

During any period when the Suspended Covenants are suspended, the Board of Directors of the Parent may not designate any of the Parent's Subsidiaries as Unrestricted Subsidiaries pursuant to the Indenture.

Limitation on Indebtedness

Leverage Test. The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness; *provided* that the Parent and its Restricted Subsidiaries may Incur Indebtedness if, on the date thereof and immediately after giving effect on a *pro forma* basis to the Incurrence of such Indebtedness and any other Indebtedness Incurred since the end of the Latest Completed Quarter prior to the Incurrence of the additional Indebtedness and the application of the net proceeds therefrom, the aggregate principal amount of all outstanding Indebtedness is not greater than 60% of the sum of (without duplication) (a) Total Assets as of the end of such Latest Completed Quarter and (b) the total purchase price of any real estate assets acquired by the Parent or any Restricted Subsidiary since the end of such Latest Completed Quarter; *provided, further*, that the Non-Guarantor Subsidiaries will not, directly or indirectly, Incur any Indebtedness other than Secured Indebtedness that would be permitted to be Incurred as Secured Indebtedness pursuant to the next succeeding paragraph.

Secured Debt Test. The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Secured Indebtedness; *provided* that the Parent and its Restricted Subsidiaries may Incur Secured Indebtedness if, on the date thereof and immediately after giving effect on a *pro forma* basis to the Incurrence of such Secured Indebtedness and any other Secured Indebtedness Incurred since the end of the Latest Completed Quarter prior to the Incurrence of the additional Secured Indebtedness and the application of the net proceeds therefrom, the aggregate principal amount of all outstanding Secured Indebtedness is not greater than

(i) 30% of the sum of (without duplication) (a) Total Assets as of the end of such Latest Completed Quarter and (b) the total purchase price of any real estate assets acquired by the Parent or any Restricted Subsidiary since the end of such Latest Completed Quarter, or

(ii) during any Suspension Period, 40% of the sum of (without duplication) (a) Total Assets as of the end of such Latest Completed Quarter and (b) the total purchase price of any real estate assets acquired by the Parent or any Restricted Subsidiary since the end of such Latest Completed Quarter.

Debt Service Test. The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, Incur any Indebtedness; *provided* that the Parent and its Restricted Subsidiaries may Incur Indebtedness if, on the date thereof and immediately after giving effect on a *pro forma* basis to the Incurrence of such Indebtedness and any other Indebtedness Incurred since the end of the Latest Completed Quarter and the application of the net proceeds therefrom, the ratio of Consolidated Adjusted EBITDA to Consolidated Interest Expense for the period consisting of the four consecutive fiscal quarters ending with the Latest Completed Quarter is greater than

(i) 1.75 to 1.00, or

(ii) during any Suspension Period, 1.50 to 1.00;

provided, further, that the Non-Guarantor Subsidiaries will not, directly or indirectly, Incur any Indebtedness other than Indebtedness that would be permitted to be Incurred as Secured Indebtedness pursuant to the immediately preceding paragraph.

The determination of compliance with this covenant shall be based on the assumption (without duplication) that:

(1) the additional Indebtedness and any other Indebtedness Incurred by the Parent or any of its Restricted Subsidiaries since the first day of such four quarter period to the date of determination, which was outstanding at the date of determination, had been Incurred at the beginning of that period and continued to be outstanding throughout that period, and the application of the net proceeds of such Indebtedness, including to refinance other Indebtedness, had occurred at the beginning of such period; *provided* that in determining the amount of Indebtedness so Incurred, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average daily balance of such Indebtedness during such period;

(2) the repayment or retirement of any other Indebtedness repaid or retired by the Parent or any of its Restricted Subsidiaries since the first day of such four quarter period to the date of determination had occurred at the beginning of that period; *provided* that, in determining the amount of Indebtedness so repaid or retired, the amount of Indebtedness under any revolving credit facility shall be computed based upon the average daily balance of such Indebtedness during such period; and

(3) in the case of any acquisition or disposition of any asset or group of assets (including, without limitation, by merger, or stock or asset purchase or sale) or the placement of any assets in service or removal of any assets from service by the Parent or any of its Restricted Subsidiaries since the first day of such four quarter period to the date of determination, the acquisition, disposition, placement in service or removal from service and any related repayment or refinancing of Indebtedness had occurred as of the first day of such period, with the appropriate adjustments to Consolidated Adjusted EBITDA and Consolidated Interest Expense with respect to the acquisition, disposition, placement in service or removal from service being included in that *pro forma* calculation.

For purposes of the preceding paragraph, whenever *pro forma* effect is to be given to any calculation, the *pro forma* calculations will be determined in good faith by a responsible financial or accounting officer of the Parent. If any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months). If any Indebtedness that is being given *pro forma* effect bears an interest rate, at the option of the Parent the interest rate shall be calculated by applying such optional rate chosen by the Parent.

The foregoing paragraphs of this covenant will not prohibit the Incurrence of the following Indebtedness:

(1) Indebtedness represented by the notes (including any Note Guarantee) (other than any Additional Notes) and the Soles Notes (including any related guarantees);

(2) Indebtedness of the Parent and its Restricted Subsidiaries in existence on the Issue Date;

(3) Guarantees by (a) the Parent, the Issuer or Subsidiary Guarantors of Indebtedness permitted to be Incurred by the Parent, Issuer or a Subsidiary Guarantor in accordance with the provisions of the Indenture; *provided* that in the event such Indebtedness that is being Guaranteed is a Subordinated Obligation or a Guarantor Subordinated Obligation, then the related Guarantee shall be subordinated in right of payment to the notes or the Note Guarantee, as the case may be, and (b) Non-Guarantor Subsidiaries of Indebtedness Incurred by Non-Guarantor Subsidiaries in accordance with the provisions of the Indenture;

(4) Indebtedness of the Parent owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Parent or any other Restricted Subsidiary; *provided*

(a) if the Issuer is the obligor on Indebtedness owing to a Non-Guarantor Subsidiary, such Indebtedness is expressly subordinated to the prior payment in full in cash of all obligations with respect to the notes;

(b) if a Guarantor is the obligor on such Indebtedness and a Non-Guarantor Subsidiary is the obligee, such Indebtedness is expressly subordinated in right of payment to the Note Guarantee of such Guarantor; and

(c) (i) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Parent or a Restricted Subsidiary of the Parent; and

(ii) any sale or other transfer of any such Indebtedness to a Person other than the Parent or a Restricted Subsidiary of the Parent

shall be deemed, in each case under this clause (4)(c), to constitute an Incurrence of such Indebtedness by the Parent or such Restricted Subsidiary, as the case may be;

(5) Indebtedness of Persons Incurred and outstanding on the date on which such Person became a Restricted Subsidiary or was acquired by, or merged into, the Parent or any Restricted Subsidiary (other than Indebtedness Incurred (a) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Parent or (b) otherwise in connection with, or in contemplation of, such acquisition); *provided* that at the time such Person is acquired, the Parent would have been able to Incur US$1.00 of additional Indebtedness pursuant to the first three paragraphs of this covenant after giving effect to the Incurrence of such Indebtedness pursuant to this clause (5);

(6) Indebtedness Incurred by the Parent or its Restricted Subsidiaries in respect of workers' compensation claims, health, disability or other employee benefits or property, casualty or liability insurance, self insurance obligations, performance, bid, surety and similar bonds and completion Guarantees (not for borrowed money) provided in the ordinary course of business;

(7) Indebtedness arising from agreements of the Parent or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, Incurred or assumed in connection with the disposition of any business or assets of the Parent or any business, assets or Capital Stock of a Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or a Subsidiary for the purpose of financing such acquisition; *provided* that:

(a) the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds, including non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to subsequent changes in value) actually received by the Parent and its Restricted Subsidiaries in connection with such disposition; and

(b) such Indebtedness is not reflected on the balance sheet of the Parent or any of its Restricted Subsidiaries (contingent obligations referred to in a footnote to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet for purposes of this clause (7));

(8) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument (including daylight overdrafts paid in full by the close of business on the day such overdraft was Incurred) drawn against insufficient funds in the ordinary course of business; *provided* that such Indebtedness is extinguished within five Business Days of Incurrence;

(9) Indebtedness of the Parent or any of its Restricted Subsidiaries to the extent the net proceeds thereof are promptly used to redeem the notes in full or deposited to defease or discharge the notes, in each case in accordance with the Indenture;

(10) Indebtedness under Hedging Obligations that are Incurred for hedging purposes (and not for speculative purposes);

(11) the Incurrence or issuance by the Parent or any Restricted Subsidiary of Refinancing Indebtedness that serves to refund or refinance any Indebtedness Incurred as permitted under the first three paragraphs of this covenant and clauses (1), (2), (5), (6) and this clause (11) of the fourth paragraph of this covenant, or any Indebtedness issued to so refund or refinance such Indebtedness, including additional Indebtedness Incurred to pay premiums (including reasonable, as determined in good faith by the Parent, tender premiums), defeasance costs, accrued interest and fees and expenses in connection therewith; and

(12) in addition to the items referred to in clauses (1) through (11) above, Indebtedness of the Parent and the Subsidiary Guarantors in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed 5.0% of Total Assets at any time outstanding.

The Issuer will not Incur any Indebtedness under the preceding paragraph if the proceeds thereof are used, directly or indirectly, to refinance any Subordinated Obligations of the Issuer unless such Indebtedness will be subordinated to the notes to at least the same extent as such Subordinated Obligations. No Guarantor will Incur any Indebtedness under the preceding paragraph if the proceeds thereof are used, directly or indirectly, to refinance any Guarantor Subordinated Obligations of such Guarantor unless such Indebtedness will be subordinated to the obligations of such Guarantor under its Note Guarantee to at least the same extent as such Guarantor Subordinated Obligations. No Restricted Subsidiary (other than a Subsidiary Guarantor) may Incur any Indebtedness if the proceeds are used to refinance Indebtedness of the Parent, the Issuer or a Subsidiary Guarantor.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the second paragraph of this covenant, the Issuer, in its sole discretion, will classify such item of Indebtedness on the date of Incurrence and may later reclassify such item of Indebtedness in any manner that complies with the second paragraph of this covenant and will be entitled to divide the amount and type of such Indebtedness among more than one of such clauses under the second paragraph of this covenant;

(2) Guarantees of, or obligations in respect of letters of credit relating to, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

(3) the principal amount of any Disqualified Stock of the Parent or a Restricted Subsidiary, or Preferred Stock of a Non-Guarantor Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;

(4) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness; and

(5) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined in accordance with IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the amortization of debt discount, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock will not be deemed to be an Incurrence of Indebtedness for purposes of this covenant. The amount of any Indebtedness outstanding as of any date shall be (i) the accreted value thereof, in the case of any Indebtedness issued with original issue discount, or the aggregate principal amount outstanding, in the case of Indebtedness issued with interest payable in-kind, and (ii) the principal amount or liquidation preference thereof, together with any interest thereon that is more than 30 days past due, in the case of any other Indebtedness.

In addition, the Parent will not permit any of its Unrestricted Subsidiaries to Incur any Indebtedness or issue any Disqualified Stock, other than Non-Recourse Debt. If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under this "—Limitation on Indebtedness" covenant, the Parent shall be in Default of this covenant).

For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the U.S. dollar equivalent principal amount of Indebtedness denominated in Peruvian soles or any other foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* that, if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Parent and its Restricted Subsidiaries may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Maintenance of Unencumbered Assets

The Parent and its Restricted Subsidiaries will maintain Unencumbered Assets of not less than 150% of the aggregate principal amount of the consolidated Unsecured Indebtedness of the Parent and its Restricted Subsidiaries, which shall be measured as of the last day of each fiscal quarter.

Limitation on Restricted Payments

The Parent will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

(1) declare or pay any dividend or make any distribution (whether made in cash, securities or other property) on or in respect of its or any of its Restricted Subsidiaries' Capital Stock (including any payment in connection with any merger or consolidation involving the Parent or any of its Restricted Subsidiaries) other than:

(a) dividends or distributions payable solely in Capital Stock of the Parent (other than Disqualified Stock); and

(b) dividends or distributions by a Restricted Subsidiary, so long as, in the case of any dividend or distribution payable on or in respect of any Capital Stock issued by a Restricted Subsidiary that is not a Wholly-Owned Subsidiary, the Parent or the Restricted Subsidiary holding such Capital Stock receives at least its *pro rata* share of such dividend or distribution;

(2) purchase, redeem, retire or otherwise acquire for value, including in connection with any merger or consolidation, any Capital Stock of the Parent held by Persons other than the Parent or a Restricted Subsidiary (other than in exchange for Capital Stock of the Parent (other than Disqualified Stock));

(3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to any scheduled repayment, scheduled sinking fund payment or scheduled maturity, any Subordinated Obligations or Guarantor Subordinated Obligations, other than

(a) Indebtedness of the Issuer owing to and held by any Guarantor or Indebtedness of a Subsidiary Guarantor owing to and held by the Issuer or any other Subsidiary Guarantor permitted under clause (4) of the fourth paragraph of the covenant "Limitation on Indebtedness"; or

(b) the purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations or Guarantor Subordinated Obligations of any Subsidiary Guarantor purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, (in each case due within one year of the date of purchase, repurchase, redemption, defeasance or other acquisition or retirement); or

(4) make any Restricted Investment

(all such payments and other actions referred to in clauses (1) through (4) above (other than any exception thereto) shall be referred to as a "*Restricted Payment*"), unless, at the time of and after giving effect to such Restricted Payment:

(a) no Default shall have occurred and be continuing (or would result therefrom);

(b) immediately after giving effect to such transaction on a *pro forma* basis, the Parent could Incur US$1.00 of additional Indebtedness under the provisions of the first three paragraphs of the covenant described under "—Limitation on Indebtedness"; and

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments declared or made subsequent to the Issue Date would not exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from January 1, 2014 to the end of the Latest Completed Quarter ending prior to the date of such Restricted Payment (or, in case such Consolidated Net Income is a deficit, minus 100% of such deficit); plus

(ii) 100% of the aggregate Net Cash Proceeds and the Fair Market Value of marketable securities or other property received by the Parent from the issue or sale of its Capital Stock (other than Disqualified Stock) or other capital contributions subsequent to the Issue Date, other than:

(x) Net Cash Proceeds received from an issuance or sale of such Capital Stock to a Subsidiary of the Parent or to an employee stock ownership plan, option plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or Guaranteed by the Parent or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination; and

(y) Net Cash Proceeds received by the Parent from the issue and sale of its Capital Stock or capital contributions to the extent applied to redeem notes in compliance with the provisions set forth under "—Optional Redemption—Optional Redemption Upon Equity Offerings"; plus

(iii) the amount by which Indebtedness of the Parent or its Restricted Subsidiaries is reduced on the Parent's consolidated balance sheet upon the conversion or exchange (other than debt held by a Subsidiary of the Parent) subsequent to the Issue Date of any Indebtedness of the Parent or its Restricted Subsidiaries convertible or exchangeable for Capital Stock (other than Disqualified Stock) of the Parent (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Parent upon such conversion or exchange); plus

(iv) the amount equal to the net reduction in Restricted Investments made by the Parent or any of its Restricted Subsidiaries in any Person resulting from:

(x) repurchases or redemptions of such Restricted Investments by such Person, proceeds realized upon the sale of such Restricted Investment to an unaffiliated purchaser, repayments of loans or advances or other transfers of assets (including by way of dividend or distribution) by such Person to the Parent or any Restricted Subsidiary (other than for reimbursement of tax payments); or

(y) the redesignation of Unrestricted Subsidiaries as Restricted Subsidiaries or the merger or consolidation of an Unrestricted Subsidiary with and into the Parent or any of its Restricted Subsidiaries (valued in each case as provided in the definition of "Investment") not to exceed the amount of Investments previously made by the Parent or any Restricted Subsidiary in such Unrestricted Subsidiary,

which amount in each case under this clause (iv) was included in the calculation of the amount of Restricted Payments; *provided* that no amount will be included under this clause (iv) to the extent it is already included in Consolidated Net Income.

We estimate that, as of December 31, 2017, we had approximately US$85.0 million of Restricted Payments capacity pursuant to clause (c)(i) of the preceding paragraph.

The provisions of the second preceding paragraph will not prohibit:

(1) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Capital Stock, Disqualified Stock or Subordinated Obligations of the Issuer or Guarantor Subordinated Obligations of any Guarantor made by exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Parent (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary or an employee stock ownership plan or similar trust to the extent such sale to an employee stock ownership plan or similar trust is financed by loans from or Guaranteed by the Parent or any Restricted Subsidiary unless such loans have been repaid with cash on or prior to the date of determination); *provided* that the Net Cash Proceeds from such sale of Capital Stock will be excluded from clause (c)(ii) of the preceding paragraph;

(2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Obligations of the Issuer or Guarantor Subordinated Obligations of any Guarantor made by exchange for, or out of the proceeds of the substantially concurrent sale of, Subordinated Obligations of the Issuer or any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Guarantor Subordinated Obligations of any Guarantor made by exchange for or out of the proceeds of the substantially concurrent sale of Guarantor Subordinated Obligations of a Subsidiary Guarantor so long as such refinancing Subordinated Obligations or Guarantor Subordinated Obligations are permitted to be Incurred pursuant to the covenant described under "—Limitation on Indebtedness" and constitute Refinancing Indebtedness;

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Parent or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Disqualified Stock of the Parent or such Restricted Subsidiary, as the case may be, so long as such refinancing Disqualified Stock is permitted to be Incurred pursuant to the covenant described under "—Limitation on Indebtedness" and constitutes Refinancing Indebtedness;

(4) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Obligation (a) at a purchase price not greater than 101% of the principal amount of such Subordinated Obligation in the event of a Change of Control in accordance with provisions similar to the "—Repurchase at the Option of Holders—Change of Control" covenant or (b) at a purchase price not greater than 100% of the principal amount thereof in accordance with provisions similar to the "—Repurchase at the Option of Holders—Asset Sales" covenant; *provided* that, prior to or simultaneously with such purchase, repurchase, redemption, defeasance or other acquisition or retirement, the Issuer or the Parent has made the Change of Control Offer or Asset Disposition Offer, as applicable, as provided in such covenant with respect to the notes and has completed the repurchase or redemption of all notes validly tendered for payment in connection with such Change of Control Offer or Asset Disposition Offer;

(5) any purchase or redemption of Subordinated Obligations or Guarantor Subordinated Obligations from Net Available Cash to the extent permitted under "—Repurchase at the Option of Holders—Asset Sales";

(6) dividends paid within 60 days after the date of declaration if at such date of declaration such dividend would have complied with this provision;

(7) the purchase, redemption or other acquisition, cancellation or retirement for value of Capital Stock or equity appreciation rights of the Parent held by any existing or former employees or management of the Parent or any Subsidiary of the Parent or their assigns, estates or heirs, in each case in connection with the repurchase provisions under employee stock option or stock purchase agreements or other agreements to compensate management employees approved by the Board of Directors of the Parent; *provided* that such Capital Stock or equity appreciation rights were received for services related to, or for the benefit of, the Parent and its Restricted Subsidiaries; and *provided, further*, that such redemptions or repurchases pursuant to this clause will not exceed US$3.0 million in the aggregate during any calendar year (with any unused amounts in any calendar year being carried over to the immediately succeeding calendar year subject to a maximum of US$8.0 million in any calendar year), although such amount in any calendar year may be increased by an amount not to exceed:

    (a) the Net Cash Proceeds from the sale of Capital Stock (other than Disqualified Stock) of the Parent to existing or former employees or members of management of the Parent that occurs after the Issue Date, to the extent the Net Cash Proceeds from the sale of such Capital Stock have not otherwise been applied to the payment of Restricted Payments; plus

    (b) the cash proceeds of key man life insurance policies received by the Parent or its Restricted Subsidiaries after the Issue Date; less

    (c) the amount of any Restricted Payments previously made with the Net Cash Proceeds described in clauses (a) and (b) of this clause (7);

(8) the declaration and payment of dividends to holders of any class or series of Disqualified Stock of the Parent issued in accordance with the terms of the Indenture to the extent such dividends are included in the definition of "Consolidated Interest Expense";

(9) repurchases of Capital Stock deemed to occur upon the exercise of stock options, warrants, other rights to purchase Capital Stock or other convertible securities if such Capital Stock represents a portion of the exercise price thereof, and Restricted Payments by the Parent or the Issuer to allow the payment of cash in lieu of the issuance of fractional shares upon the exercise of options or warrants or upon the conversion or exchange of Capital Stock;

(10) the declaration and payment of dividends to holders of Common Stock of the Parent, or the making of an Investment to Affiliates, equal to US$150.0 million, of which US$125.0 million will be made with net proceeds from this offering with net proceeds from this offering on the Issue Date, as described in "Use of Proceeds";

(11) other Restricted Payments in an aggregate amount, when taken together with all other Restricted Payments made pursuant to this clause (11) not to exceed US$15.0 million at any time outstanding;

provided that at the time of and after giving effect to, any Restricted Payment permitted under clauses (5), (7), (8) and (11), no Default shall have occurred and be continuing or would occur as a consequence thereof.

The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of such Restricted Payment of the assets or securities proposed to be transferred or issued by the Parent or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment; *provided* that such determination of Fair Market Value shall be based upon an opinion or appraisal issued by an Independent Financial Advisor if such Fair Market Value is estimated in good faith by the Board of Directors of the Parent or an authorized committee thereof to exceed US$30.0 million.

As of the Issue Date, all of the Parent's Subsidiaries will be Restricted Subsidiaries (including the Issuer, Interproperties Peru, Interproperties Puerta del Sol and Inmobiliaria Puerta del Sol). The Parent will not permit any Unrestricted Subsidiary to become a Restricted Subsidiary except pursuant to the last sentence of the definition of "Unrestricted Subsidiary." For purposes of designating any Restricted Subsidiary (other than the Issuer) as an Unrestricted Subsidiary, all outstanding Investments by the Parent and its Restricted Subsidiaries (except to the extent repaid) in the Subsidiary so designated will be deemed to be Restricted Payments in an amount determined as set forth in the definition of "Investment." Such designation will be permitted only if a Restricted Payment in such amount would be permitted at such time and if such Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. Unrestricted Subsidiaries will not be subject to any of the restrictive covenants set forth in the Indenture.

Limitation on Restrictions on Distributions from Restricted Subsidiaries

The Parent will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on its Capital Stock to the Parent or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness or other obligations owed to the Parent or any Restricted Subsidiary (it being understood that the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock shall not be deemed a restriction on the ability to make distributions on Capital Stock);

(2) make any loans or advances to the Parent or any Restricted Subsidiary (it being understood that the subordination of loans or advances made to the Parent or any Restricted Subsidiary to other Indebtedness Incurred by the Parent or any Restricted Subsidiary shall not be deemed a restriction on the ability to make loans or advances); or

(3) sell, lease or transfer any of its property or assets to the Parent or any Restricted Subsidiary (it being understood that such transfers shall not include any type of transfer described in clause (1) or (2) above).

The preceding provisions will not prohibit encumbrances or restrictions existing under or by reason of:

(a) contractual encumbrances or restrictions pursuant to agreements or instruments in effect at or entered into on the Issue Date;

(b) the Indenture, the notes and the Note Guarantees;

(c) any agreement or other instrument of a Person acquired by the Parent or any of its Restricted Subsidiaries in existence at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person and its Subsidiaries, or the property or assets of the Person and its Subsidiaries, so acquired (including after acquired property);

(d) any amendment, restatement, modification, renewal, supplement, refunding, replacement or refinancing of an agreement referred to in clauses (a), (b) or (c) of this paragraph or this clause (d); *provided* that such amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Parent, no more restrictive than the encumbrances and restrictions contained in the agreements referred to in clauses (a), (b) or (c) of this paragraph on the Issue Date or the date such Restricted Subsidiary became a Restricted Subsidiary or was merged into a Restricted Subsidiary, whichever is applicable;

(e) any limitation on a sale of assets in Secured Indebtedness permitted under the provisions of the covenants described under "—Limitation on Indebtedness—Secured Debt Test" and "—Maintenance of Unencumbered Assets";

(f) purchase money obligations for property acquired in the ordinary course of business and Capitalized Lease Obligations permitted under the Indenture, in each case that impose encumbrances or restrictions of the nature described in clause (3) of the first paragraph of this covenant on the property so acquired;

(g) contracts for the sale of assets, including customary restrictions with respect to a Subsidiary of the Parent pursuant to an agreement that has been entered into for the sale or disposition of all or a portion of the Capital Stock or assets of such Subsidiary;

(h) any customary provisions in joint venture agreements relating to joint ventures that are not Restricted Subsidiaries and other similar agreements entered into in the ordinary course of business and with the approval of the Board of Directors;

(i) any customary provisions in leases, subleases or licenses and other agreements entered into by the Parent or any Restricted Subsidiary in the ordinary course of business;

(j) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order; and

(k) other Indebtedness Incurred or Preferred Stock issued by a Subsidiary Guarantor in accordance with the covenant described under "—Limitation on Indebtedness" that, in the good faith judgment of the Parent, are not more restrictive, taken as a whole, than those applicable to the Parent in the Indenture on the Issue Date (which results in encumbrances or restrictions at a Restricted Subsidiary level comparable to those applicable to the Parent).

Limitation on Affiliate Transactions

The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction (including the purchase, sale, lease or exchange of any property or asset or the rendering of any service) with any Affiliate of the Issuer (an "*Affiliate Transaction*"), unless:

(1) the terms of such Affiliate Transaction are no less favorable to the Parent or such Restricted Subsidiary, as the case may be, than those that could reasonably be expected to have been obtained by the Parent or such Restricted Subsidiary in a comparable transaction at the time of such transaction on an arms' length basis with a Person that is not an Affiliate of the Parent;

(2) in the event such Affiliate Transaction involves an aggregate consideration in excess of US$10.0 million, the terms of such transaction have been approved by a majority of the members of the Board of Directors of the Parent (including a majority of the disinterested members thereof, if any) and such majority or majorities, as the case may be, determines that such Affiliate Transaction satisfies the criteria in clause (1) above; and

(3) in the event such Affiliate Transaction involves an aggregate consideration in excess of US$30.0 million, the Parent has received a written opinion from an Independent Financial Advisor stating that such Affiliate Transaction is not materially less favorable than those that could reasonably be expected to have been obtained by the Parent or such Restricted Subsidiary in a comparable transaction at the time of such transaction on an arms' length basis with a Person that is not an Affiliate of the Parent.

The preceding paragraph will not apply to:

(1) any transaction between the Parent and a Restricted Subsidiary or between Restricted Subsidiaries, and any Guarantees issued by the Parent or a Restricted Subsidiary for the benefit of the Parent or a Restricted Subsidiary, as the case may be, in accordance with "—Limitation on Indebtedness";

(2) any Restricted Payment permitted to be made pursuant to the covenant described under "—Limitation on Restricted Payments" and the definition of "Permitted Investments" (other than pursuant to clauses (2) and (14) thereof), including, without limitation, the declaration and payment of dividends to holders of Common Stock of the Parent, or the making of an Investment to Affiliates, with net proceeds from this offering equal to US$150.0 million, of which US$125.0 million will be made with net proceeds from this offering on the Issue Date, as described in "Use of Proceeds";

(3) any issuance of securities or other payments, awards or grants in cash, securities or otherwise pursuant to, or as the funding of, employment agreements and other compensation arrangements, options to purchase Capital Stock of the Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits plans and/or indemnity provided on behalf of officers and employees approved by the Board of Directors of the Parent;

(4) the payment of reasonable and customary fees paid to, and indemnity provided on behalf of, directors or officers of the Parent or any Restricted Subsidiary;

(5) loans or advances to employees, officers or directors of the Parent or any Restricted Subsidiary in the ordinary course of business consistent with past practices, in an aggregate amount not in excess of US$2.0 million (without giving effect to the forgiveness of any such loan);

(6) any agreement as in effect as of the Issue Date, as these agreements may be amended, modified, supplemented, extended or renewed from time to time, so long as any such amendment, modification, supplement, extension or renewal is not more disadvantageous to the Holders in any material respect in the good faith judgment of the Board of Directors of the Parent, when taken as a whole, than the terms of the agreements in effect on the Issue Date;

(7) any agreement between any Person and an Affiliate of such Person existing at the time such Person is acquired by or merged into the Parent or a Restricted Subsidiary; *provided* that such agreement was not entered into in contemplation of such acquisition or merger, and any amendment thereto (so long as any such amendment is not disadvantageous to the Holders in the good faith judgment of the Board of Directors of the Parent, when taken as a whole, as compared to the applicable agreement as in effect on the date of such acquisition or merger);

(8) transactions with customers, clients, suppliers, joint venture partners or purchasers or sellers of goods or services (including, but not limited to, tenants in the shopping centers), in each case in the ordinary course of the business of the Parent and its Restricted Subsidiaries and otherwise in compliance with the terms of the Indenture; *provided* that in the reasonable determination of the members of the Board of Directors or Senior Management of the Parent, such transactions are on terms that are no less favorable to the Parent or the relevant Restricted Subsidiary than those that could reasonably be expected to have been obtained at the time of such transactions in a comparable transaction by the Parent or such Restricted Subsidiary with an unrelated Person; and

(9) any issuance or sale of Capital Stock (other than Disqualified Stock) to Affiliates of the Parent and the granting and performance of registration and other customary rights in connection therewith.

Reports

So long as any notes are outstanding, the Parent will furnish or cause to be furnished to the Indenture Trustee:

(a) within 120 days following the end of each fiscal year of the Parent, audited consolidated income statements, balance sheets, statements of shareholders equity and cash flow statements and the related notes thereto for the Parent on a consolidated basis for the two most recent fiscal years in accordance with IFRS, together with an audit report thereon by the Parent's independent auditors, and together with a discussion and analysis similar to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this offering memorandum for such fiscal years; and

(b) within 60 days following the end of each of the three fiscal quarters ending on March 31, June 30 and September 30 in each of the Parent's fiscal years quarterly reports containing unaudited consolidated balance sheets, statements of income and the related notes thereto for the Parent on a consolidated basis, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with IFRS, together with a discussion and analysis similar to the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of this offering memorandum for such quarterly period.

In addition, the Parent, on its behalf and on behalf of the Issuer, will furnish to the Holders of the notes and to prospective investors, upon the requests of such Holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the notes are not freely transferable under the Exchange Act by Persons who are not "affiliates" under the Securities Act.

The information required to be furnished pursuant to the three first paragraphs of this covenant shall be furnished in the English language. The Parent may fulfill the reporting obligations provided in the three preceding paragraphs by notifying the Indenture Trustee in writing of the posting on its public website of the information required thereby.

Limitation on Activities of Parent and its Restricted Subsidiaries

The Parent and its Restricted Subsidiaries will not engage in any business other than a Similar Business.

Maintenance of Properties

The Parent will cause all properties used or useful in the conduct of its business or the business of any of its Restricted Subsidiaries to be maintained and kept in good condition, repair and working order as in the judgment of the Parent may be necessary so that the business of the Parent and its Restricted Subsidiaries may be properly conducted at all times; *provided* that nothing in this paragraph prevents the Parent or any Restricted Subsidiary from discontinuing the use, operation or maintenance of any of such properties or disposing of any of them, if such discontinuance or disposal is, in the judgment of the Parent, desirable in the conduct of the business of the Parent or any of its Restricted Subsidiaries.

Insurance

The Parent will cause its Restricted Subsidiaries to, maintain property and casualty insurance or self-insurance with respect to its material operating assets against such risks and in such amounts as in the judgment of the Parent is reasonable and appropriate for similarly situated businesses.

Listing

In the event that the notes are listed on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market, the Issuer will use its commercially reasonable efforts to maintain such admission to listing and trading; *provided* that, if as a result of the European Union regulated market amended Directive 2001/34/EC (the "*Transparency Directive*") or any legislation implementing the Transparency Directive the Parent could be required to publish financial information more regularly than either the Parent otherwise would be required to or according to accounting principles which are materially different from the accounting principles which the Parent would otherwise use to prepare its published financial information, the Issuer may delist the notes therefrom in accordance with the rules of the Luxembourg Stock Exchange and may seek an alternative admission to listing, trading and/or quotation for the notes on a different section of the Luxembourg Stock Exchange or by such other listing authority, stock exchange and/or quotation system inside or outside the European Union as the Issuer may decide.

Merger and Consolidation

Neither the Parent nor the Issuer will consolidate with or merge with or into or wind up into (whether or not the Parent or the Issuer is the surviving corporation), or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets, in one or more related transactions, to any Person unless:

(1) the resulting, surviving or transferee Person (the "*Successor Company*") is a Person (other than an individual) organized and validly existing under the laws of Panama, Peru, the United States or any state or territory thereof, or any other jurisdiction whose sovereign debt is rated BBB or higher by Standard & Poor's Ratings Group, Inc. and Baa2 or higher by Moody's Investors Service, Inc.;

(2) the Successor Company (if other than the Parent or the Issuer) expressly assumes all of the obligations of the Issuer under the notes and the Indenture or the Parent under its Note Guarantee and the Indenture, as applicable, pursuant to a supplemental indenture or other documents or instruments in form reasonably satisfactory to the Indenture Trustee;

(3) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(4) immediately after giving *pro forma* effect to such transaction and any related financing transactions, as if such transactions had occurred at the beginning of the applicable four quarter period,

(a) the Successor Company would be able to Incur at least US$1.00 of additional Indebtedness pursuant to the first three paragraphs of the covenant described under "Certain Covenants—Limitation on Indebtedness," or

(b) the ratio of Consolidated Adjusted EBITDA to Consolidated Interest Expense for the Successor Company and its Restricted Subsidiaries on a consolidated basis would be no less than such ratio for the Parent and its Restricted Subsidiaries on a consolidated basis immediately prior to such transaction;

(5) each Guarantor (unless it is the other party to the transactions above, in which case clause (1) of the following paragraph shall apply) shall have by supplemental indenture confirmed that its Note Guarantee shall apply to such Successor Company's obligations under the Indenture and the notes; and

(6) the Parent or the Issuer, as applicable, shall have delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, winding up or disposition, and such supplemental indenture, if any, comply with the Indenture.

Subject to certain limitations, the Successor Company will succeed to, and be substituted for, the Issuer under the Indenture and the notes or the Parent under the Indenture and the Note Guarantee, as applicable.

Notwithstanding clauses (3) and (4) of the preceding paragraph,

(1) any Restricted Subsidiary may consolidate with, merge with or into or transfer all or part of its properties and assets to the Parent or the Issuer so long as no Capital Stock of the Restricted Subsidiary is distributed to any Person other than the Parent or the Issuer; *provided* that, in the case of a Restricted Subsidiary that merges into the Parent or the Issuer, the Parent or the Issuer will not be required to comply with clause (6) of the preceding paragraph;

(2) any Non-Guarantor Subsidiary may consolidate with or merge into or transfer all or part of its properties and assets to the Parent, the Issuer or a Subsidiary Guarantor.

In addition, neither the Parent nor the Issuer will permit any Subsidiary Guarantor to consolidate with or merge with or into or wind up into (whether or not such Subsidiary Guarantor is the surviving corporation), or sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets, in one or more related transactions, to any Person (other than to the Parent, the Issuer or another Subsidiary Guarantor) unless:

(1) (a) if such entity remains a Guarantor, the resulting, surviving or transferee Person (the "*Successor Guarantor*") is a Person (other than an individual) organized and validly existing under the laws of Peru, the United States or any state or territory thereof, or any other jurisdiction whose sovereign debt is rated BBB or higher by Standard & Poor's Ratings Group, Inc. and Baa2 or higher by Moody's Investors Service, Inc.;

(b) the Successor Guarantor, if other than such Guarantor, expressly assumes all the obligations of such Guarantor under the Indenture and its Note Guarantee pursuant to a supplemental indenture or other documents or instruments in form reasonably satisfactory to the Indenture Trustee;

(c) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing; and

(d) the Issuer will have delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel, each stating that such consolidation, merger, winding up or disposition and such supplemental indenture (if any) comply with the Indenture; and

(2) the transaction is made in compliance with the covenant described under "—Repurchase at the Option of Holders—Asset Sales" (it being understood that only such portion of the Net Available Cash as is required to be applied on the date of such transaction in accordance with the terms of the Indenture needs to be applied in accordance therewith at such time).

Subject to certain limitations described in the Indenture, the Successor Guarantor will succeed to, and be substituted for, such Guarantor under the Indenture and the Note Guarantee of such Guarantor.

Notwithstanding the foregoing, any Subsidiary Guarantor may merge with or into or transfer all or part of its properties and assets to a Subsidiary Guarantor, the Parent or the Issuer or merge with a Restricted Subsidiary of the Parent solely for the purpose of reincorporating the Subsidiary Guarantor in the jurisdiction of such Subsidiary Guarantor, a state or territory of Peru, the United States or any state or territory thereof, or any other jurisdiction whose sovereign debt is rated BBB or higher by Standard & Poor's Ratings Group, Inc. and Baa2 or higher by Moody's Investors Service, Inc., so long as the amount of Indebtedness of such Subsidiary Guarantor and its Restricted Subsidiaries is not increased thereby, and the resulting entity remains or becomes a Subsidiary Guarantor.

For purposes of this covenant, the sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Parent, which properties and assets, if held by the Parent instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Parent on a consolidated basis, will be deemed to be the disposition of all or substantially all of the properties and assets of the Parent.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The Parent, the Issuer and a Subsidiary Guarantor, as the case may be, will be released from its obligations under the Indenture, the notes and its Note Guarantee, as the case may be, and the Successor Company and the Successor Guarantor, as the case may be, will succeed to, and be substituted for, and may exercise every right and power of, the Parent, the Issuer or a Guarantor, as the case may be, under the Indenture, the notes and such Note Guarantee; *provided* that, in the case of a lease of all or substantially all its assets, the Issuer will not be released from the obligation to pay the principal of and interest on the notes, and a Guarantor will not be released from its obligations under its Note Guarantee.

Future Guarantors

The Parent will cause (1) each Restricted Subsidiary that Guarantees, at any time after the Issue Date, any Indebtedness of the Parent, the Issuer or any Subsidiary Guarantor, and (2) each Subsidiary (other than Interproperties Peru, Interproperties Puerta del Sol and Inmobiliaria Puerta del Sol) that becomes a Significant Subsidiary and Incurs any Indebtedness, at any time after the Issue Date, in each case to execute and deliver to the Indenture Trustee, promptly and in any event within 20 Business Days of issuing such Guarantee or becoming a Significant Subsidiary and incurring any Indebtedness, as applicable, a supplemental indenture to the Indenture pursuant to which such Subsidiary will irrevocably and unconditionally Guarantee, on a joint and several basis, the full and prompt payment of the principal of, premium, if any, and interest in respect of the notes on an unsecured, senior basis and all other obligations under the Indenture.

The obligations of each Subsidiary Guarantor will be limited to the maximum amount as will, after giving effect to all other contingent and fixed liabilities of such Subsidiary Guarantor and after giving effect to any collections from or payments made by or on behalf of any other Subsidiary Guarantor in respect of the obligations of such other Subsidiary Guarantor under its Note Guarantee or pursuant to its contribution obligations under the Indenture, result in the obligations of such Subsidiary Guarantor under its Note Guarantee not constituting a fraudulent conveyance or fraudulent transfer under applicable law.

Each Note Guarantee (other than the Note Guarantee provided by the Parent) shall be released in accordance with the provisions of the Indenture described under "—Note Guarantees."

Payments for Consent

Neither the Parent nor the Issuer will, nor will they permit any of their respective Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the notes or any Note Guarantee unless such consideration is offered to be paid and is paid to all Holders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or amendment.

Events of Default

Each of the following is an "*Event of Default*":

(1) default in any payment of interest (including any related Additional Amounts) on any note when due, continued for 30 days;

(2) default in the payment of principal of, or premium, if any, on any note (including, in each case, any related Additional Amounts) when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Issuer or any Guarantor to comply with its obligations under "—Limitation on Activities of Parent and its Restricted Subsidiaries—Merger and Consolidation";

(4) failure by the Issuer or any Guarantor to comply for 30 days after notice as provided below with any of their obligations under the covenants described under "—Repurchase at the Option of Holders";

(5) failure by the Issuer or any Guarantor to comply for 60 days after notice as provided below with its other agreements contained in the Indenture or the notes;

(6) default under any mortgage, indenture or instrument under which there is issued or by which there is secured or evidenced any Indebtedness for money borrowed by the Parent or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Parent or any of its Restricted Subsidiaries), other than Indebtedness owed to the Parent or a Restricted Subsidiary, whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

(a) is caused by a failure to pay principal of, or interest or premium, if any, on such Indebtedness prior to the expiration of the grace period provided in such Indebtedness ("*payment default*"); or

(b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*");

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates US$20.0 million or more (or its foreign currency equivalent);

(7) failure by the Parent or any Restricted Subsidiary to pay final judgments aggregating in excess of US$20.0 million (or its foreign currency equivalent) (net of any amounts that a reputable and creditworthy insurance company has acknowledged liability for in writing), which judgments are not paid, discharged or stayed for a period of 60 days or more after such judgment becomes final (the "*judgment default provision*");

(8) the entering of a decree or order by a court (or equivalent authority) having jurisdiction adjudging the Parent or any of its Restricted Subsidiaries as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization of or by the Parent or any of its Restricted Subsidiaries, and such decree or order continuing to be undischarged or unstayed for a period of 60 days; the entering of a decree or order of a court (or equivalent authority) having jurisdiction for the appointment of a receiver or liquidator or for the liquidation or dissolution of the Parent or any of its Restricted Subsidiaries, and such decree or order continuing to be undischarged and unstayed for a period of 60 days; the institution by the Parent or any of its Restricted Subsidiaries of any proceeding to be adjudicated as voluntary bankrupt, liquidated or dissolved, or their respective consent to the filing of a bankruptcy, liquidation or dissolution proceeding against any of them, or the filing of a petition or answer or consent seeking reorganization, or the consent to the filing of any such petition or appointment of a receiver or liquidator or trustee or assignee in bankruptcy, liquidation, dissolution or insolvency of the Parent or any of its Restricted Subsidiaries or of any substantial part of their respective property (the "*bankruptcy provisions*"); or

(9) any Note Guarantee of Parent or a Significant Subsidiary or any group of Subsidiary Guarantors that, taken together (as of the date of the latest audited consolidated financial statements of the Parent and its Restricted Subsidiaries), would constitute a Significant Subsidiary ceases to be in full force and effect

(except as contemplated by the terms of the Indenture) or is declared null and void in a judicial proceeding or Parent or any Subsidiary Guarantor that is a Significant Subsidiary or any group of Subsidiary Guarantors that, taken together (as of the date of the latest audited consolidated financial statements of the Parent and its Restricted Subsidiaries), would constitute a Significant Subsidiary denies or disaffirms its obligations under the Indenture or its Note Guarantee.

However, a default under clauses (4) and (5) of the previous paragraph will not constitute an Event of Default until the Indenture Trustee or the Holders of 25% in principal amount of the then outstanding notes notify the Issuer of the default and the Parent or the Issuer do not cure such default within the time specified in clauses (4) and (5) of the previous paragraph after receipt of such notice.

If an Event of Default (other than an Event of Default described in clause (8) above) occurs and is continuing, the Indenture Trustee by written notice to the Issuer, specifying the Event of Default, or the Holders of at least 25% in principal amount of the then outstanding notes by notice to the Issuer and the Indenture Trustee, may, and the Indenture Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest, if any, on all the notes to be due and payable. Upon such a declaration, such principal, premium, if any, and accrued and unpaid interest, if any, will be due and payable immediately. In the event of a declaration of acceleration of the notes because an Event of Default described in clause (6) under "—Events of Default" has occurred and is continuing, the declaration of acceleration of the notes shall be automatically annulled if the default triggering such Event of Default pursuant to clause (6) shall be remedied or cured by the Parent or a Restricted Subsidiary or waived by the holders of the relevant Indebtedness within 20 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium, if any, or interest on the notes that became due solely because of the acceleration of the notes, have been cured or waived. If an Event of Default described in clause (8) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest, if any, on all the notes will become and be immediately due and payable without any declaration or other act on the part of the Indenture Trustee or any Holders. The Holders of a majority in principal amount of the outstanding notes may waive all past defaults (except with respect to nonpayment of principal, premium or interest) and rescind any such acceleration with respect to the notes and its consequences if (1) rescission would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the notes that have become due solely by such declaration of acceleration, have been cured or waived.

Except to enforce the right to receive payment of principal, premium, if any, or interest when due, no Holder may pursue any remedy with respect to the Indenture or the notes unless:

(1) such Holder has previously given the Indenture Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the then outstanding notes have requested the Indenture Trustee to pursue the remedy;

(3) such Holders have offered the Indenture Trustee security or indemnity reasonably satisfactory to the Indenture Trustee against any loss, liability or expense;

(4) the Indenture Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and

(5) the Holders of a majority in principal amount of the then outstanding notes have not given the Indenture Trustee a direction that, in the opinion of the Indenture Trustee, is inconsistent with such request within such 60 day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the then outstanding notes may direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee or of exercising any trust or power conferred on the Indenture Trustee. The Indenture provides that in the event an Event of Default has occurred and is continuing, the Indenture Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use under the circumstances in the conduct of its own affairs. The Indenture Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture, the notes or any Note Guarantee, or that the Indenture Trustee determines in good faith is unduly prejudicial to the rights of any other Holder or that would involve the Indenture Trustee in personal liability.

If an Event of Default occurs and is continuing, the Indenture Trustee will be under no obligation to exercise any of the rights or powers under the Indenture, the notes and the Note Guarantees at the request or direction of any of the Holders unless such Holders have offered to the Indenture Trustee indemnity or security reasonably satisfactory to it against any loss, liability or expense.

The Indenture provides that if a Default occurs and is continuing and is known to a responsible officer of the Indenture Trustee, the Indenture Trustee will give to each Holder notice of the Default within 90 days after a responsible officer has received written notice thereof. Except in the case of a Default in the payment of principal of, premium, if any, or interest on any note, the Indenture Trustee may withhold from the Holders notice of any continuing Default if the Indenture Trustee determines in good faith that withholding the notice is in the interests of the Holders. In addition, the Issuer is required to deliver to the Indenture Trustee, within 90 days after the end of each fiscal year ending after the Issue Date, an Officer's Certificate indicating whether the signers thereof know of any Default that occurred during the previous year. The Issuer also is required to deliver to the Indenture Trustee, within five Business Days after the occurrence thereof, written notice of any events which would constitute a Default or Event of Default, their status and what action the Issuer is taking or proposing to take in respect thereof.

Amendments and Waivers

Except as provided in the next two succeeding paragraphs, the Indenture, the notes and the Note Guarantees may be amended or supplemented by the Issuer, the Guarantors and the Indenture Trustee with the consent of the Holders of a majority in principal amount of the notes then outstanding (including without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, notes) and subject to certain exceptions, any past default or compliance with any provisions may be waived with the consent of the Holders of a majority in principal amount of the notes then outstanding (including, without limitation, consents obtained in connection with, a purchase of, or tender offer or exchange offer for, notes). However, without the consent of each Holder of an outstanding note affected, no amendment, supplement or waiver may:

(1) reduce the principal amount of notes whose Holders must consent to an amendment, supplement or waiver;

(2) reduce the stated rate of interest or extend the stated time for payment of interest on any note (for the avoidance of doubt, changing the period provided for any repurchase or redemption notice under the Indenture and the notes is not limited by this clause);

(3) reduce the principal amount of or extend the Stated Maturity of any note;

(4) waive a Default or Event of Default in the payment of principal of, premium, if any, or interest on the notes (except a rescission of acceleration of the notes by the Holders of at least a majority in aggregate principal amount of the then outstanding notes with respect to a nonpayment default and a waiver of the payment default that resulted from such acceleration);

(5) reduce the premium payable upon the redemption or repurchase of any note or change the time at which any note may be redeemed or repurchased as described above under "—Optional Redemption," "—Repurchase at the Option of Holders —Change of Control" or "—Repurchase at the Option of Holders—Asset Sales" whether through an amendment or waiver of provisions in the covenants, definitions or otherwise (for the avoidance of doubt, changing the period provided for any repurchase or redemption notice under the Indenture and the notes is not limited by this clause);

(6) make any note payable in money other than that stated in the note;

(7) impair the right of any Holder to receive payment of principal of, premium, if any, or interest on such Holder's notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Holder's notes;

(8) make any change in the amendment or waiver provisions which require each Holder's consent;

(9) make any change in the provisions of the Indenture described under "—Additional Amounts" that adversely affects the rights of Holders or amend the terms of the notes in a way that would result in a loss of exemption from any applicable taxes; or

(10) modify the Note Guarantees in any manner adverse to the Holders.

Without the consent of any Holder, from time to time the Issuer, the Guarantors and the Indenture Trustee may amend the Indenture, the notes and the Note Guarantees (provided, however, that the Issuer and the existing Guarantors need not execute any supplemental indenture whereby any new Guarantor will provide a Note Guarantee) to:

(1) cure any ambiguity, omission, defect or inconsistency;

(2) provide for the assumption by a successor of the obligations of the Issuer or any Guarantor under the Indenture or the Note Guarantees in accordance with "—Limitation on Activities of Parent and its Restricted Subsidiaries—Merger and Consolidation";

(3) comply with the rules of any applicable depositary;

(4) add Guarantors with respect to the notes or release a Guarantor from its obligations under its Note Guarantee or the Indenture in accordance with the applicable provisions of the Indenture;

(5) secure the notes and the Note Guarantees;

(6) add covenants of Parent and its Restricted Subsidiaries or Events of Default for the benefit of Holders or to make changes that would provide additional rights to the Holders or to surrender any right or power conferred upon the Issuer or any Guarantor;

(7) make any change that does not adversely affect the legal rights under the Indenture of any Holder;

(8) evidence and provide for the acceptance of an appointment under the Indenture of a successor trustee; *provided* that the successor trustee is otherwise qualified and eligible to act as such under the terms of the Indenture;

(9) conform the text of the Indenture, the notes or the Note Guarantees to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the Indenture, the notes or the Note Guarantees; or

(10) make any amendment to the provisions of the Indenture relating to the transfer and legending of notes as permitted by the Indenture, including, without limitation to facilitate the issuance and administration of the notes or, if Incurred in compliance with the Indenture, Additional Notes; *provided* that (A) compliance with the Indenture as so amended would not result in notes being transferred in violation of the Securities Act or any applicable securities law and (B) such amendment does not materially and adversely affect the rights of Holders to transfer notes.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment, supplement or waiver. It is sufficient if such consent approves the substance of the proposed amendment or supplement. A consent to any amendment, supplement or waiver under the Indenture by any Holder given in connection with a tender of such Holder's notes will not be rendered invalid by such tender. After an amendment, supplement or waiver under the Indenture becomes effective, the Issuer is required to give to the Holders a notice briefly describing such amendment, supplement or waiver. However, the failure to give such notice to all the Holders, or any defect in the notice, will not impair or affect the validity of the amendment, supplement or waiver.

Defeasance

The Issuer may, at its option and at any time, elect to have all of its obligations and the obligations of the Guarantors discharged with respect to the outstanding notes issued under the Indenture ("*legal defeasance*"), except for:

(1) the rights of Holders to receive payments in respect of the principal of, premium, if any, or interest on such notes when such payments are due, solely out of the trust referred to below;

(2) the Issuer's obligations with respect to the notes concerning issuing temporary notes, registration of notes, mutilated, destroyed, lost or stolen notes and the maintenance of an office or agency for payment and money for note payments held in trust;

(3) the rights, powers, trusts, duties and immunities of the Indenture Trustee, and the obligations of the Issuer and the Guarantors in connection therewith; and

(4) the legal defeasance provisions of the Indenture.

If the Issuer exercises the legal defeasance option, the Note Guarantees in effect at such time will terminate except with respect to surviving obligations relating to the Indenture Trustee.

The Issuer, at its option and at any time, may terminate the obligations of the Parent and its Restricted Subsidiaries described under "—Repurchase at the Option of Holders" and under the covenants described under "—Certain Covenants" (other than "Limitation on Activities of Parent and its Restricted Subsidiaries—Merger and Consolidation") and clause (4) under "—Limitation on Activities of Parent and its Restricted Subsidiaries—Merger and Consolidation" above ("*covenant defeasance*").

If the Issuer exercises the covenant defeasance option, the Note Guarantees (other than the Note Guarantee of Parent) in effect at such time will terminate, except with respect to surviving obligations relating to the Indenture Trustee.

The Issuer, at its option and at any time, may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the notes may not be accelerated because of an Event of Default with respect to the notes. If the Issuer exercises its covenant defeasance option, payment of the notes may not be accelerated because of an Event of Default specified in clause (3) (only with respect to the failure of the Issuer to comply with clause (4) under "—Limitation on Activities of Parent and its Restricted Subsidiaries—Merger and Consolidation" above), (4) (only with respect to covenants that are released as a result of such covenant defeasance), (5) (only with respect to covenants that are released as a result of such covenant defeasance), (6), (7), (8) (with respect only to Significant Subsidiaries or any group of Restricted Subsidiaries that, taken together (as of the date of the latest audited consolidated financial statements of the Issuer and its Restricted Subsidiaries) would constitute a Significant Subsidiary) or (9) under "—Events of Default" above.

In order to exercise either legal defeasance or covenant defeasance under the Indenture:

(1) the Issuer must irrevocably deposit with the Indenture Trustee, in trust, for the benefit of the Holders, (a) cash in U.S. dollars, (b) U.S. Government Securities, or (c) a combination thereof, in amounts as will be sufficient (in the written opinion of a nationally recognized firm of independent public accountants delivered to the Indenture Trustee; provided that such written opinion will not be required if the Company has irrevocably deposited with the Trustee, in trust, for the benefit of the Holders, cash in U.S. dollars) without consideration of any reinvestment of interest, to pay the principal of, and premium, if any, and interest due on the outstanding notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must specify whether the notes are being defeased to maturity or to a particular redemption date;

(2) in the case of legal defeasance, the Issuer has delivered to the Indenture Trustee an Opinion of Counsel that is independent of the Issuer reasonably acceptable to the Indenture Trustee confirming that (a) the Issuer

has received from, or there has been published by, the Internal Revenue Service a ruling, or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel will confirm that, subject to customary assumptions and exclusions, the Holders and beneficial owners of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such legal defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;

(3) in the case of covenant defeasance, the Issuer has delivered to the Indenture Trustee an Opinion of Counsel that is independent of the Issuer reasonably acceptable to the Indenture Trustee confirming that, subject to customary assumptions and exclusions, the Holders and beneficial owners of the notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;

(4) the Issuer has delivered to the Indenture Trustee an Opinion of Counsel that is independent of the Issuer reasonably acceptable to the Indenture Trustee confirming that, subject to customary assumptions and exclusions, the Holders and beneficial owners of the notes will not recognize income, gain or loss for Peruvian income tax purposes as a result of such legal defeasance or covenant defeasance, as the case may be, and will be subject to Peruvian income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance or covenant defeasance, as the case may be, had not occurred;

(5) such legal defeasance or covenant defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which the Parent or any of its Restricted Subsidiaries is a party or by which the Parent or any of its Restricted Subsidiaries is bound;

(6) no Default or Event of Default has occurred and is continuing on the date of the deposit pursuant to clause (1) of this paragraph or will occur as a result of such deposit (other than a Default or an Event of Default resulting from the borrowing of funds to be applied to make such deposit and any similar and simultaneous deposit relating to other Indebtedness and, in each case, the granting of Liens in connection therewith) and the deposit will not result in a breach or violation of, or constitute a default under, any other material agreement or instrument (other than the Indenture) to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound;

(7) the Issuer has delivered to the Indenture Trustee an Opinion of Counsel to the effect that as of the date of such opinion and subject to customary assumptions and exclusions, including, without limitation, that no intervening bankruptcy, liquidation or dissolution of the Parent or the Issuer between the date of deposit and the 91st day following the deposit and assuming that no Holder is an "insider" of the Parent or the Issuer, as the case may be, under applicable bankruptcy law (or equivalent liquidation law in the applicable jurisdiction), after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, liquidation, dissolution, insolvency, reorganization or similar laws affecting creditors' rights generally;

(8) the Issuer has delivered to the Indenture Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer, any Guarantor or others;

(9) the Issuer has delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions), each stating that all conditions precedent relating to the legal defeasance or the covenant defeasance, as the case may be, have been complied with; and

(10) the Issuer has delivered irrevocable instructions to the Indenture Trustee to apply the deposited money toward the payment of the notes at maturity or the redemption date, as the case may be (which instructions may be contained in the Officer's Certificate referred to in clause (8) above).

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all notes issued thereunder, when either:

(1) all notes that have been authenticated (except lost, stolen or destroyed notes that have been replaced or paid and notes for whose payment money has been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust) have been delivered to the Indenture Trustee for cancellation; or

(2) (a) all notes not theretofore delivered to the Indenture Trustee for cancellation have become due and payable by reason of the giving of a notice of redemption or otherwise, will become due and payable within one year or may be called for redemption within one year under arrangements satisfactory to the Indenture Trustee for the giving of notice of redemption by the Indenture Trustee in the name, and at the expense, of the Issuer, and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Indenture Trustee, as trust funds in trust solely for the benefit of the Holders, (a) cash in U.S. dollars, (b) U.S. Government Securities, or (c) a combination thereof, in such amounts as will be sufficient (in the written opinion of a nationally recognized firm of independent public accountants delivered to the Indenture Trustee; *provided* that such written opinion will not be required if the Issuer has irrevocably deposited with the Trustee, in trust, for the benefit of the Holders, cash in U.S. dollars in an amount sufficient), without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the notes not theretofore delivered to the Indenture Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption;

(b) no Default or Event of Default has occurred and is continuing on the date of the deposit or will occur as a result of the deposit (other than a Default or an Event of Default resulting from borrowing of funds to be applied to make such deposit and any similar and simultaneous deposit relating to other Indebtedness and in each case the granting of any Lien in connection therewith), and the deposit will not result in a breach or violation of, or constitute a default under, any material agreement or instrument (other than the Indenture) to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound;

(c) the Issuer has paid or caused to be paid all sums payable by it under the Indenture; and

(d) the Issuer has delivered irrevocable instructions to the Indenture Trustee to apply the deposited money toward the payment of the notes at maturity or the redemption date, as the case may be.

In addition, the Issuer must deliver an Officer's Certificate and an Opinion of Counsel to the Indenture Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

No Personal Liability of Directors, Officers, Employees and Stockholders

No past, present or future director, officer, employee, trustee, incorporator, member, partner, controlling person or stockholder of the Issuer or any Guarantor shall have any liability for any obligations of the Issuer or any Guarantor under the notes, the Note Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the federal securities law of the United States.

Notices

Notices to Holders of non-global notes will be mailed to them at their registered addresses. Notices to Holders of global notes will be given to DTC in accordance with its applicable procedures.

In addition, for so long as the notes are listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market and it is required by the rules of such exchange, all notices to Holders of notes will be published in English: (1) in a leading newspaper having a general circulation in Luxembourg (which currently is expected to be *Luxemburger Wort*); (2) if such Luxembourg publication is not practicable, in one other leading English language newspaper being published on each day in morning editions, whether or not it is published in

Saturday, Sunday or holiday editions; or (3) on the website of the Luxembourg Stock Exchange at http://www.bourse.lu.

Notices will be deemed to have been given on the date of delivery to DTC or mailing, as applicable, or of publication as aforesaid or, if published on different dates, on the date of the first such publication.

Indenture Trustee

The Bank of New York Mellon is the Indenture Trustee under the indenture. The principal office of the Indenture Trustee is at 101 Barclay St., Floor 7 East, New York, NY 10286.

Governing Law; Jurisdiction

The Indenture provides that it, the notes and any Note Guarantee will be governed by, and construed in accordance with, the laws of the State of New York.

Each of the Issuer and the Guarantors will submit to the jurisdiction of, and consent to and waive objection to venue in, the U.S. federal and New York state courts located in the Borough of Manhattan in New York City and will appoint an agent for service of process with respect to any actions brought in these courts arising out of or based on the Indenture, the notes or the Note Guarantees.

According to the laws of the State of New York, claims against the Issuer for the payment of principal of and premium, if any, and interest on the notes must be made within six years from the due date for payment thereof.

Currency Indemnity

The Issuer and each Guarantor will pay all sums payable under the Indenture, the notes and the Note Guarantees solely in U.S. dollars. Any amount that you or the Indenture Trustee receive or recover in a currency other than U.S. dollars in respect of any sum expressed to be due to you or the Indenture Trustee from the Issuer or any Guarantor will only constitute a discharge to the Issuer and the Guarantors, to the greatest extent permitted under applicable law, to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount received or recovered in that other currency on the date of the receipt or recovery or, if it is not practicable to make the purchase on that date, on the first date on which the recipient is able to do so. If the U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under the Indenture, any note, or any Note Guarantee to the greatest extent permitted under applicable law, the Issuer and the Guarantors will jointly and severally indemnify the recipient against any loss the recipient sustains as a result. In any event, the Issuer and the Guarantors will jointly and severally indemnify the recipient against the cost of making any purchase of U.S. dollars. For the purposes of this paragraph, it will be sufficient for you or the Indenture Trustee to certify in a satisfactory manner that the recipient would have suffered a loss had an actual purchase of U.S. dollars been made with the amount received in that other currency on the date of receipt or recovery or, if it was not practicable to make the purchase on that date, on the first date on which the recipient were able to do so. In addition, you will also be required to certify in a satisfactory manner the need for a change of the purchase date.

The indemnities described above: (i) constitute a separate and independent obligation from the other obligations of the Issuer and the Guarantors; (ii) will give rise to a separate and independent cause of action; (iii) will apply irrespective of any indulgence granted by any Holder or the Indenture Trustee; and (iv) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

Waiver of Immunity

To the extent that the Issuer or the Guarantors or any of their respective properties, assets or revenues may have or may hereafter become entitled to, or have attributed to Issuer, any right of immunity, on the grounds of sovereignty or otherwise, from any legal action, suit or proceeding, from the giving of any relief in any such legal action, suit or proceeding, from setoff or from counterclaim from the jurisdiction of any Peruvian, New York State or U.S. federal or other applicable court, from service of process, from attachment upon or prior to judgment, from attachment in aid of execution of judgment, or from execution of judgment, or other legal process or proceeding for the giving of any relief or for the enforcement of any judgment, in any such court in which proceedings may at any time be commenced, with respect to the obligations and liabilities of the Issuer or the Guarantors, or any other matter under or arising out of or in connection with, the notes, the Note Guarantees or the Indenture, the Issuer and each of the Guarantors irrevocably and unconditionally waives or will waive such right, and agrees not to plead or claim any such immunity and consents to such relief and enforcement.

Certain Definitions

"*Additional Assets*" means:

(1) any property, plant, equipment or other asset (excluding working capital or current assets) to be used by the Parent or a Restricted Subsidiary in a Similar Business;

(2) the Capital Stock of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Capital Stock by the Parent or a Restricted Subsidiary; or

(3) Capital Stock constituting a minority interest in any Person that at such time is a Restricted Subsidiary;

provided that, in the case of clauses (2) and (3), such Restricted Subsidiary is primarily engaged in a Similar Business.

"*Affiliate*" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "*control*" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with") when used with respect to any Person means possession, directly or indirectly, of the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "*controlling*" and "*controlled*" have meanings correlative to the foregoing; *provided* that exclusively for purposes of "—Repurchase at the Option of Holders—Assets Sales" And "—Certain Covenants—Limitation on Affiliate Transactions," beneficial ownership of 10% or more of the Voting Stock of a Person shall be deemed to be control.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance, or other disposition, or a series of related sales, leases, transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "*disposition*") by the Parent or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction.

Notwithstanding the preceding, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition of assets by a Restricted Subsidiary to the Parent or by the Parent or a Restricted Subsidiary to a Restricted Subsidiary;

(2) the disposition of cash or Cash Equivalents in the ordinary course of business;

(3) a sale or disposition of inventory in the ordinary course of business;

(4) a disposition of obsolete or worn out property or equipment that, in the reasonable determination of the Parent, is no longer useful in the conduct of the business of the Parent and its Restricted Subsidiaries and that is disposed of in each case in the ordinary course of business;

(5) the disposition of all or substantially all of the assets of the Parent in a manner permitted pursuant to "—Limitation on Activities of Parent and its Restricted Subsidiaries—Merger and Consolidation" or any disposition that constitutes a Change of Control pursuant to the Indenture;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Parent or to a Wholly-Owned Subsidiary;

(7) for purposes of "—Repurchase at the Option of Holders—Asset Sales" only, the making of a Permitted Investment (other than a Permitted Investment to the extent such transaction results in the receipt of cash or Cash Equivalents by the Parent or its Restricted Subsidiaries) or a disposition subject to "—Certain Covenants—Limitation on Restricted Payments";

(8) dispositions of assets in a single transaction or a series of related transactions with an aggregate Fair Market Value in any calendar year of less than US$5.0 million;

(9) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy, liquidation, dissolution or similar proceedings and exclusive of factoring or similar arrangements;

(10) the issuance by a Restricted Subsidiary of Preferred Stock that is permitted by the covenant described under "—Certain Covenants—Limitation on Indebtedness";

(11) the licensing or sublicensing of intellectual property or other general intangibles in the ordinary course of business;

(12) the lease, assignment, licensing or sub lease or sub licensing of any real or personal property in the ordinary course of business;

(13) the creation of Liens permitted under the provisions of the covenants described under "Certain covenants—Limitation on Indebtedness—Secured Debt Test" and "—Maintenance of Unencumbered Assets";

(14) foreclosure on assets; and

(15) any sale of Capital Stock in, or Indebtedness or other securities of, an Unrestricted Subsidiary.

"*Asset Swap*" means an exchange (or concurrent purchase and sale) of property, plant, equipment or other assets (excluding working capital or current assets) of the Parent or any of its Restricted Subsidiaries for Additional Assets of another Person.

"*Attributable Indebtedness*" in respect of a Sale/Leaseback Transaction means, as at the time of determination, the present value (discounted at the interest rate implicit in the transaction) of the total obligations of the lessee for rental payments during the remaining term of the lease included in such Sale/Leaseback Transaction (including any period for which such lease has been extended), determined in accordance with IFRS; *provided* that, if such Sale/Leaseback Transaction results in a Capitalized Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of "Capitalized Lease Obligations."

"*Average Life*" means, as of the date of determination, with respect to any Indebtedness or Preferred Stock, the quotient obtained by dividing (1) the sum of the products of the number of years from the date of determination to the dates of each successive scheduled principal payment of such Indebtedness or redemption or similar payment with respect to such Preferred Stock multiplied by the amount of such payment by (2) the sum of all such payments.

"*Board of Directors*" means with respect to any Person, the board of directors or similar governing body of such Person serving a similar function or any duly authorized committee thereof.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Lima, Peru or New York, New York are authorized or required by law to close.

"*Capital Stock*" of any Person means any and all shares, interests, rights to purchase, warrants, options, certificates of participation, participations or other equivalents of or interests in (however designated and whether or not having voting rights) equity of such Person, including any certificates of participation (*certificados de participación*) of Peruvian trusts (including, but not limited to, *fideicomisos, patrimonios fideicometidos, fideicomisos de titulización and patrimonios fideicometidos de fideicomisos de titulización*, in each case established under Peruvian law), Preferred Stock and limited liability interests or partnership interests (whether general or limited), but excluding any debt securities convertible or exchangeable into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes in accordance with IFRS. The amount of Indebtedness represented by such obligation will be the capitalized amount of such obligation at the time any determination thereof is to be made as determined in accordance with IFRS, and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) U.S. dollars, Peruvian soles or other currencies held by the Parent or any Restricted Subsidiary from time to time in the ordinary course of business;

(2) securities issued or directly and fully Guaranteed or insured by the United States government or any agency or instrumentality of the United States (provided that the full faith and credit of the United States is pledged in support thereof), having maturities of not more than one year from the date of acquisition;

(3) marketable obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition and, at the time of acquisition, having a credit rating of "A" or better from either Standard & Poor's Ratings Group, Inc. or Moody's Investors Service, Inc., or carrying an equivalent rating by an internationally recognized Rating Agency, if both of the two named Rating Agencies cease publishing ratings of investments;

(4) marketable general obligations issued by, or unconditionally guaranteed by, the government or any political subdivision or public instrumentality of any jurisdiction in which the Parent and its Restricted Subsidiaries have substantial operations or issued by any agency thereof and backed by the full faith and credit of such government, in each case so long as such obligations have an Investment Grade Rating by at least two Rating Agencies, and maturing within one year from the date of acquisition thereof;

(5) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by (i) any U.S. commercial bank the long-term debt of which is rated at the time of acquisition thereof at least "A" or the equivalent thereof by Standard & Poor's Ratings Group, Inc., or "A" or the equivalent thereof by Moody's Investors Service, Inc., or carrying an equivalent rating by an internationally recognized Rating Agency, if both of the two named Rating Agencies cease publishing ratings of investments, and having combined capital and surplus in excess of US$500.0 million, or (ii) with respect to any such deposits or instruments in a non U.S. jurisdiction, any commercial bank in such jurisdiction having one of the four highest international or local ratings obtainable from Standard & Poor's Ratings Group, Inc., Fitch Inc. or Moody's Investors Service, Inc. (or their respective local affiliates), or carrying an equivalent rating by a Rating Agency, if any of such named Rating Agencies cease publishing ratings of investments;

(6) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (2), (3), (4) and (5) entered into with any bank meeting the qualifications specified in clause (5) above;

(7) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by Standard & Poor's Ratings Group, Inc. or "P-2" or the equivalent thereof by Moody's Investors Service, Inc., or carrying an equivalent rating by an internationally recognized Rating Agency, if both of the two named Rating Agencies cease publishing ratings of investments, and in any case maturing within one year after the date of acquisition thereof; and

(8) interests in any investment company or money market fund which invests 90% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

"*Change of Control*" means the occurrence of one or more of the following events:

(1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the assets of the Parent

and its Subsidiaries taken as a whole to any Person (including any "person" or "group" (as such terms are used in Sections 13(d)(3) and 14(d) of the Exchange Act or any successor provisions to other of the foregoing)) other than to one or more Permitted Holders;

(2) the consummation of any transaction (including without limitation, any merger or consolidation) the result of which is that the Permitted Holders cease to be the "beneficial owners" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the Voting Stock of the Issuer, measured by voting power rather than number of shares; or

(3) the adoption of a plan relating to the liquidation or dissolution of the Issuer.

"*Change of Control Event*" means the occurrence of both a Change of Control and a Ratings Decline in respect thereof.

"*Commodity Agreement*" means any commodity futures contract, commodity swap, commodity option or other similar agreement or arrangement entered into by the Parent or any Restricted Subsidiary designed to protect the Parent or any of its Restricted Subsidiaries against fluctuations in the price of commodities actually used in the ordinary course of business of the Parent and its Restricted Subsidiaries.

"*Common Stock*" means with respect to any Person, any and all shares, interests, certificates of participation or other participations in, and other equivalents (however designated and whether voting or nonvoting) of such Person's common stock, including any certificates of participation (*certificados de participación*) of Peruvian trusts (including, but not limited to, *fideicomisos*, *patrimonios fideicometidos*, *fideicomisos de titulización* and *patrimonios fideicometidos de fideicomisos de titulización*, in each case established under Peruvian law), whether or not outstanding on the Issue Date, and includes, without limitation, all series and classes of such common stock.

"*Consolidated Adjusted EBITDA*" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period:

(1) increased (without duplication) by the following items to the extent deducted in calculating such Consolidated Net Income:

(a) Consolidated Interest Expense; plus

(b) Consolidated Income Taxes; plus

(c) consolidated depreciation and amortization expense; plus

(d) any net loss resulting in such period from currency translation gains or losses; plus

(e) other non-cash charges reducing Consolidated Net Income, including any write-offs or write-downs (excluding any such non-cash charge to the extent it represents an accrual of or reserve for cash charges in any future period or amortization of a prepaid cash expense that was capitalized at the time of payment) and non-cash compensation expense recorded from grants of stock appreciation or similar rights, stock options, restricted stock or other rights to officers, directors or employees; *provided* that any losses for the marking to market of investment properties in accordance with IFRS, to the extent included in Consolidated Net Income, shall not be included; and

(2) decreased (without duplication) by non-cash items increasing Consolidated Net Income of such Person for such period (including any net gain resulting in such period from currency translation gains or losses, and excluding any items which represent the reversal of any accrual of, or reserve for, anticipated cash charges that reduced Consolidated Adjusted EBITDA for Consolidated Interest Expense in any prior period); *provided* that any gains for the marking to market of investment properties in accordance with IFRS, to the extent included in Consolidated Net Income, shall not be included.

Notwithstanding the foregoing, clauses (1)(b) through (d) relating to amounts of a Restricted Subsidiary of a Person will be added to Consolidated Net Income to compute Consolidated Adjusted EBITDA of such Person only to the extent (and in the same proportion) that the net income (loss) of such Restricted Subsidiary was included in calculating the Consolidated Net Income of such Person and, to the extent the amounts set forth in clauses (1)(b) through (d) are in excess of those necessary to offset a net loss of such Restricted Subsidiary or if such Restricted Subsidiary has net income for such period included in Consolidated Net Income, only if a corresponding amount would be permitted at the date of determination to be distributed as a dividend or distribution to the Parent by such Restricted Subsidiary without prior approval (that has not been obtained), pursuant to the terms of its charter and all agreements, instruments, judgments, decrees, orders, statutes, rules and governmental regulations applicable to that Restricted Subsidiary or its stockholders.

"*Consolidated Income Taxes*" means, with respect to any Person for any period, taxes imposed upon such Person or other payments required to be made by such Person by any governmental authority which taxes or other payments are calculated by reference to the income or profits or capital of such Person or such Person and its Restricted Subsidiaries (to the extent such income or profits were included in computing Consolidated Net Income for such period).

"*Consolidated Interest Expense*" means, with respect to any Person for any period, the total interest expense (net of any interest income) of such Person and its Restricted Subsidiaries determined on a consolidated basis, whether paid or accrued, plus, to the extent not included in such interest expense:

(1) interest expense attributable to Capitalized Lease Obligations and the interest portion of rent expense associated with Attributable Indebtedness in respect of the relevant lease giving rise thereto, determined as if such lease were a capitalized lease in accordance with IFRS and the interest component of any deferred payment obligations;

(2) amortization of debt discount (including the amortization of original issue discount resulting from the issuance of Indebtedness at less than par);

(3) non-cash interest expense, but any non-cash interest income or expense attributable to the movement in the mark to market valuation of Hedging Obligations or other derivative instruments pursuant to IFRS shall be excluded from the calculation of Consolidated Interest Expense;

(4) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing;

(5) the interest expense on Indebtedness of another Person that is Guaranteed by such Person or one of its Restricted Subsidiaries or secured by a Lien on assets of such Person or one of its Restricted Subsidiaries;

(6) costs associated with entering into Hedging Obligations (including amortization of fees) related to Indebtedness;

(7) interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period;

(8) all dividends paid or payable, in cash, Cash Equivalents or Indebtedness or accrued during such period on any series of Disqualified Stock of such Person or on Preferred Stock of its Non-Guarantor Subsidiaries payable to a party other than the Parent or a Wholly-Owned Subsidiary; and

(9) the cash contributions to any employee stock ownership plan or similar trust to the extent such contributions are used by such plan or trust to pay interest or fees to any Person (other than the Parent and its Restricted Subsidiaries) in connection with Indebtedness Incurred by such plan or trust.

To the extent included in this definition of Consolidated Interest Expense, debt issuance costs and premium costs related to the early redemption or repurchase of existing debt, whether or not amortized in accordance with IFRS, shall be deducted therefrom.

For purposes of the foregoing, total interest expense will be determined (i) after giving effect to any net payments made or received by the Parent and its Subsidiaries with respect to Interest Rate Agreements and (ii) exclusive of amounts classified as other comprehensive income in the balance sheet of the Parent. Notwithstanding anything to the contrary contained herein, without duplication of clause (8) above, commissions, discounts, yield and other fees and charges Incurred in connection with any transaction pursuant to which the Parent or its Restricted Subsidiaries may sell, convey or otherwise transfer or grant a security interest in any accounts receivable or related assets shall be included in Consolidated Interest Expense.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Parent and its Restricted Subsidiaries determined on a consolidated basis in accordance with IFRS; *provided* that there will not be included in such Consolidated Net Income on an after tax basis:

(1) any net income (loss) of any Person if such Person is not a Restricted Subsidiary or that is accounted for by the equity method of accounting, except that:

(a) subject to the limitations contained in clauses (3) through (6) below, the Parent's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Parent or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution to a Restricted Subsidiary, to the limitations contained in clause (2) below); and

(b) the Parent's equity in a net loss of any such Person (other than an Unrestricted Subsidiary) for such period will be included in determining such Consolidated Net Income to the extent such loss has been funded with cash from the Parent or a Restricted Subsidiary;

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of "—Certain Covenants—Limitation on Restricted Payments," any net income (but not loss) of any Restricted Subsidiary (other than a Subsidiary Guarantor) if such Restricted Subsidiary is subject to prior government approval or other restrictions due to the operation of its charter or any agreement, instrument, judgment, decree, order statute, rule or government regulation (which have not been waived), directly or indirectly, on the payment of dividends or the making of distributions by such Restricted Subsidiary, directly or indirectly, to the Parent, except that:

(a) subject to the limitations contained in clauses (3) through (6) below, the Parent's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash that could have been distributed by such Restricted Subsidiary during such period to the Parent or another Restricted Subsidiary as a dividend (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause); and

(b) the Parent's equity in a net loss of any such Restricted Subsidiary for such period will be included in determining such Consolidated Net Income;

(3) any gain or loss (less all fees and expenses relating thereto) realized upon sales or other dispositions of any assets (other than real estate properties) of the Parent or such Restricted Subsidiary, other than in the ordinary course of business, as determined in good faith by the Board of Directors of the Parent;

(4) any income or loss from the early extinguishment of Indebtedness or Hedging Obligations or other derivative instruments;

(5) any extraordinary gain or loss; and

(6) the cumulative effect of a change in accounting principles.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, futures contract, option contract or other similar agreement as to which such Person is a party or a beneficiary.

"*Default*" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"*Disqualified Stock*" means, with respect to any Person, any Capital Stock of such Person that by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable) or upon the happening of any event:

(1) matures or is mandatorily redeemable pursuant to a sinking fund obligation or otherwise;

(2) is convertible into or exchangeable for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Parent or a Restricted Subsidiary (it being understood that upon such conversion or exchange it shall be an Incurrence of such Indebtedness or Disqualified Stock)); or

(3) is redeemable at the option of the holder of the Capital Stock in whole or in part,

in each case on or prior to the date that is 91 days after the earlier of the final maturity date of the notes or the date the notes are no longer outstanding; *provided* that only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock; *provided, further*, that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof have the right to require the Parent or its Restricted Subsidiaries to repurchase such Capital Stock upon the occurrence of a Change of Control or Asset Disposition (each defined in a substantially identical manner to the corresponding definitions in the Indenture) shall not constitute Disqualified Stock if the terms of such Capital Stock (and all such securities into which it is convertible or exchangeable or for which it is redeemable) provide that the Parent or its Restricted Subsidiaries, as applicable, are not required to repurchase or redeem any such Capital Stock (and all such securities into which it is convertible or exchangeable or for which it is redeemable) pursuant to such provision prior to compliance by the Parent with the provisions of the Indenture described under the captions "—Repurchase at the Option of Holders—Change of Control" and "—Repurchase at the Option of Holders—Asset sales" and such repurchase or redemption complies with "—Certain Covenants—Limitation on Restricted Payments."

"*Equity Offering*" means the primary issuance and sale by the Parent or the Issuer for cash of Qualified Capital Stock of the Parent or the Issuer to any Person other than an Affiliate of the Parent or the Issuer.

"*Exchange Ac*t" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Fair Market Value*" means, with respect to any asset or liability, the fair market value of such asset or liability as determined by Senior Management of the Parent in good faith; *provided* that if the fair market value exceeds US$5.0 million, such determination shall be made by the Board of Directors of the Parent or an authorized committee thereof in good faith (including as to the value of all non-cash assets and liabilities).

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly Guaranteeing any Indebtedness of any other Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreement to keep well, to purchase assets, goods, securities or services, to take or pay, or to maintain financial statement conditions or otherwise); or

(2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business.

"*Guarantor*" means Parent and each Initial Subsidiary Guarantor (and any other Restricted Subsidiary that provides a Note Guarantee); *provided* that upon release or discharge of such Restricted Subsidiary from its Note Guarantee in accordance with the Indenture, such Restricted Subsidiary ceases to be a Guarantor.

"*Guarantor Subordinated Obligation*" means, with respect to a Guarantor, any Indebtedness of such Guarantor (whether outstanding on the Issue Date or thereafter Incurred) that is expressly subordinated in right of payment to the obligations of such Guarantor under its Note Guarantee pursuant to a written agreement.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Agreement.

"*Holder*" means a Person in whose name a note is registered on the Registrar's books pursuant to the terms of the Indenture.

"*IFRS*" means International Financial Reporting Standards, as issued by the International Accounting Standards Board, as in effect on the Issue Date.

"*Incur*" means issue, create, assume, Guarantee, incur or otherwise become liable for; *provided* that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary; and the terms "*Incurred*" and "*Incurrence*" have meanings correlative to the foregoing.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of and premium (if any) in respect of indebtedness of such Person for borrowed money;

(2) the principal of and premium (if any) in respect of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) the principal component of all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (including reimbursement obligations with respect thereto except to the extent such reimbursement obligation relates to a trade payable and such obligation is satisfied within 30 days of Incurrence);

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (including earn out obligations), which purchase price is due after the date of placing such property in service or taking delivery and title thereto, except (i) any such balance that constitutes a trade payable or similar obligation to a trade creditor, in each case accrued in the ordinary course of business and (ii) any earn out obligation until the amount of such obligation becomes a liability on the balance sheet of such Person in accordance with IFRS;

(5) Capitalized Lease Obligations and all Attributable Indebtedness of such Person (whether or not such items would appear on the balance sheet of the guarantor or obligor);

(6) the principal component or liquidation preference of all obligations of such Person with respect to the redemption, repayment or other repurchase of any Disqualified Stock or, with respect to any Non-Guarantor Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness will be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness of such other Persons;

(8) the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person (whether or not such items would appear on the balance sheet of the guarantor or obligor); and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Hedging Obligations (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such Obligation that would be payable by such Person at such time).

Notwithstanding the foregoing, money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to pre fund the payment of interest on such Indebtedness shall not be deemed to be "Indebtedness"; *provided* that such money is held to secure the payment of such interest.

"*Independent Financial Advisor*" means an accounting firm, appraisal firm, investment banking firm or consultant of internationally recognized standing that is, in the judgment of the Parent's Board of Directors, qualified to perform the task for which it has been engaged and which is independent in connection with the relevant transaction.

"*Initial Subsidiary Guarantors*" means (i) Interproperties Holding, (ii) Interproperties Holding II and (iii) Real Plaza. For the avoidance of doubt, Initial Subsidiary Guarantors do not include Interproperties Peru, Interproperties Puerta del Sol and Inmobiliaria Puerta del Sol.

"*Inmobiliaria Puerta del Sol*" means Inmobiliaria Puerta del Sol S.A.

"*InRetail Shopping Malls Trust Deed*" means the public deed (*escritura pública*) of trust (*Acto Constitutivo de Fideicomiso de Titulización y Programa de Emisión de Certificados de Participación*) dated May 22, 2014, pursuant to which the Issuer was incorporated.

"*interest*" with respect to the notes means interest with respect thereto.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement as to which such Person is party or a beneficiary.

"*Interproperties Holding*" means Patrimonio en Fideicomiso D.S.-093-2002-EF—Interproperties Holding.

"*Interproperties Holding II*" means Patrimonio en Fideicomiso D.S.-093-2002-EF—Interproperties Holding II.

"*Interproperties Peru*" means Patrimonio en Fideicomiso D.S.-093-2002-EF—Interproperties Perú.

"*Interproperties Puerta del Sol*" means Patrimonio en Fideicomiso D.S.-093-2002-EF—Interproperties Puerta del Sol.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any direct or indirect advance, loan (other than advances or extensions of credit to customers in the ordinary course of business) or other extensions of credit (including by way of Guarantee or similar arrangement, but excluding any debt or extension of credit represented by a bank deposit (other than a time deposit)), or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such Person and all other items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS; *provided* that none of the following will be deemed to be an Investment:

(1) Hedging Obligations entered into in the ordinary course of business and in compliance with the Indenture;

(2) endorsements of negotiable instruments and documents in the ordinary course of business; and

(3) an acquisition of assets, Capital Stock or other securities by the Parent or a Subsidiary for consideration to the extent such consideration consists of Common Stock of the Parent.

For purposes of "—Certain Covenants—Limitation on Restricted Payments,"

(1) "*Investment*" will include the portion (proportionate to the Parent's equity interest in a Restricted Subsidiary that is to be designated an Unrestricted Subsidiary) of the Fair Market Value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; *provided* that upon a redesignation of such Subsidiary as a Restricted Subsidiary, the Parent will be deemed to continue to have a permanent "Investment" in an Unrestricted Subsidiary in an amount (if positive) equal to (a) the Issuer's aggregate "Investment" in such Subsidiary as of the time of such redesignation less (b) the portion (proportionate to the Parent's equity interest in such Subsidiary) of the Fair Market Value of the net assets of such Subsidiary at the time that such Subsidiary is so redesignated a Restricted Subsidiary;

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its Fair Market Value at the time of such transfer; and

(3) if the Parent or any Restricted Subsidiary sells or otherwise disposes of any Voting Stock of any Restricted Subsidiary such that, after giving effect to any such sale or disposition, such entity is no longer a Subsidiary of the Parent, the Parent shall be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Capital Stock of such Subsidiary not sold or disposed of.

"*Investment Grade Rating*" means a rating equal to or higher than Baa3 (or the equivalent) by Moody's Investors Service, Inc., BBB- (or the equivalent) by Fitch, and BBB- (or the equivalent) by Standard & Poor's Ratings Group, Inc., or any equivalent rating by any Rating Agency, in each case, with a stable or better outlook.

"*ISM Trustee*" means Internacional de Títulos Sociedad Titulizadora S.A., in its capacity as the Issuer´s trustee (fiduciario) under the InRetail Shopping Malls Trust Deed.

"*Issue Date*" means April 3, 2018.

"*Latest Completed Quarter*" means the most recently ended fiscal quarter of the Parent for which consolidated financial statements of the Parent prepared in accordance with IFRS are available.

"*Lien*" means, with respect to any asset, any mortgage, lien (statutory or otherwise), trust deed, deed of trust, pledge, hypothecation, charge, security interest, preference, assignment for security purposes, deposit, priority or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction; *provided* that in no event shall an operating lease be deemed to constitute a Lien.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or instalment receivable or otherwise and net proceeds from the sale or other disposition of any securities or other assets received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring Person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all federal, state, provincial, foreign and local taxes required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any tax sharing agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness that is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to non controlling interest holders in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts to be provided by the seller as a reserve, in accordance with IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Parent or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds*" with respect to any issuance or sale of Capital Stock, means the cash proceeds of such issuance or sale, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any tax sharing arrangements).

"*Non-Guarantor Subsidiary*" means any Restricted Subsidiary that is not a Subsidiary Guarantor.

"*Non-Recourse Debt*" means Indebtedness of a Person:

(1) as to which neither the Parent nor any Restricted Subsidiary (a) provides any Guarantee or credit support of any kind (including any undertaking, Guarantee, indemnity, agreement or instrument that would constitute Indebtedness) or (b) is directly or indirectly liable (as a guarantor or otherwise);

(2) no default with respect to which (including any rights that the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) any holder of any other Indebtedness of the Parent or any Restricted Subsidiary to declare a default under such other Indebtedness or cause the payment thereof to be accelerated or payable prior to its Stated Maturity; and

(3) the explicit terms of which provide there is no recourse against any of the assets of the Parent or its Restricted Subsidiaries, except that Standard Securitization Undertakings shall not be considered recourse.

"*Note Guarantee*" means, individually, any Guarantee of payment of the notes and the Issuer's other Obligations under the Indenture by a Guarantor pursuant to the terms of the Indenture and any supplemental indenture thereto, and, collectively, all such Guarantees.

"*Obligations*" means any principal, interest (including any interest accruing subsequent to the filing of a petition in, or initiation of any bankruptcy, liquidation, dissolution, reorganization or similar proceeding at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable state, federal or foreign law), other monetary obligations, penalties, fees, indemnifications, reimbursements (including reimbursement obligations with respect to letters of credit and banker's acceptances), damages and other liabilities, and Guarantees of payment of such principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities, payable under the documentation governing any Indebtedness.

"*Officer*" means (i) when used in relation to the Parent or Real Plaza, the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, any Executive Vice President or Vice President, the Treasurer or the Secretary, as applicable; and (ii) when used in relation to the Issuer, Interproperties Holding or Interproperties Holding II, the Administration Committee or any of its members to the extent duly empowered to represent the Administration Committee, the ISM Trustee or any Trustee Agent. "*Officer*" of any other Guarantor shall have a correlative meaning.

"*Officer's Certificate*" means a certificate signed by an Officer of the Issuer, the Parent or any other Guarantor, as applicable.

"*Opinion of Counsel*" means a written opinion from legal counsel, which opinion is reasonably acceptable to the Indenture Trustee. The counsel may be an employee of or counsel to the Parent, the Issuer or any Guarantor.

"*Parent*" means InRetail Real Estate Corp., a Panama corporation.

"*Pari Passu Indebtedness*" means Indebtedness that ranks equally in right of payment to the notes, in the case of the Issuer, or the Note Guarantees, in the case of any Guarantor (without giving effect to collateral arrangements).

"*Permitted Holders*" means one or more of the following (i) members of the Rodriguez Pastor family, (ii) any spouse, descendant, heirs or estate of the individuals referred to in the preceding clause (i), and (iii) any non natural Person that is a direct or indirect Affiliate of any of the Persons referred to in the preceding clauses (i) and (ii) and with respect to which a Person or Persons listed in the preceding clauses (i) and (ii) owns the majority of the aggregate of the total voting power of the Voting Stock in such non natural Person, on a fully diluted basis.

"*Permitted Investment*" means an Investment by the Parent or any Restricted Subsidiary in:

(1) a Restricted Subsidiary;

(2) any Investment by the Parent or any of its Restricted Subsidiaries in a Person that is engaged in a Similar Business if as a result of such Investment:

(a) such Person becomes a Restricted Subsidiary; or

(b) such Person, in one transaction or a series of related transactions, is merged or consolidated with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Parent or a Restricted Subsidiary,

and, in each case, any Investment held by such Person; *provided* that such Investment was not acquired by such Person in contemplation of such acquisition, merger, consolidation or transfer;

(3) cash and Cash Equivalents;

(4) receivables owing to the Parent or any Restricted Subsidiary created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; *provided* that such trade terms may include such concessionary trade terms as the Parent or any such Restricted Subsidiary deems reasonable under the circumstances;

(5) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) loans or advances to employees, officers or directors of the Parent or any Restricted Subsidiary in the ordinary course of business consistent with past practices in an aggregate amount not in excess of US$2.0 million with respect to all loans or advances made since the Issue Date (without giving effect to the forgiveness of any such loan);

(7) any Investment acquired by the Parent or any of its Restricted Subsidiaries:

(a) in exchange for any other Investment or accounts receivable held by the Parent or any such Restricted Subsidiary in connection with or as a result of a bankruptcy, liquidation, dissolution, workout, reorganization or recapitalization of the issuer of such other Investment or accounts receivable; or

(b) as a result of a foreclosure by the Parent or any of its Restricted Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(8) Investments made as a result of the receipt of non-cash consideration from an Asset Disposition that was made pursuant to and in compliance with "—Repurchase at the Option of Holders—Asset Sales" or any other disposition of assets not constituting an Asset Disposition;

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any Investments existing as of the Issue Date (but not Investments involving additional advances, contributions or other investments of cash or property or other increases thereof, other than as a result of the accrual or accretion of interest or original issue discount or payment-in-kind securities, in each case pursuant to the terms of such Investment as of the Issue Date);

(10) Currency Agreements, Interest Rate Agreements, Commodity Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "—Certain Covenants—Limitation on Indebtedness";

(11) Guarantees issued in accordance with "—Certain covenants—Limitations on Indebtedness";

(12) Investments made in connection with the funding of contributions under any non qualified retirement plan or similar employee compensation plan in an amount not to exceed the amount of compensation expense recognized by the Parent and its Restricted Subsidiaries in connection with such plans;

(13) Permitted Joint Venture Investments by the Parent or any of its Restricted Subsidiaries, in an aggregate amount at the time of such Investment not to exceed US$10.0 million at any time outstanding; and

(14) Investments by the Parent or any of its Restricted Subsidiaries, together with all other Investments pursuant to this clause (14), in an aggregate amount at the time of such Investment not to exceed US$30.0 million (with the Fair Market Value of such Investment being measured at the time made and without giving effect to subsequent changes in value).

"*Permitted Joint Venture Investment*" means with respect to an Investment by any Person, an Investment by such Person in any other Person engaged in a Similar Business of which less than 50.0% of the outstanding Capital Stock is at the time owned directly or indirectly by the specified Person.

"*Person*" means any individual, corporation, limited partnership, limited liability company, partnership, joint venture, association, joint stock company, trust (including, but not limited to, fideicomisos, patrimonios fideicometidos, fideicomisos de titulización and patrimonios fideicometidos de fideicomisos de titulización, in each case established under Peruvian law), unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"*Preferred Stock*," as applied to the Capital Stock of any corporation, means with respect to any Person, any Capital Stock of any class or classes (however designated) of such Person that has preferred rights over any other Capital Stock of such Person with respect to the payment of dividends, distributions or redemptions or upon liquidation, dissolution or winding up.

"*Qualified Capital Stock*" means any Capital Stock that is not Disqualified Stock and any warrants, rights or options to purchase or acquire Capital Stock that is not Disqualified Stock or that are not convertible into or exchangeable into Disqualified Stock.

"*Rating Agency*" means each of Standard & Poor's Ratings Group, Inc., Fitch Inc. and Moody's Investors Service, Inc. or, if Standard & Poor's Ratings Group, Inc., Fitch Inc. or Moody's Investors Service, Inc. or the three of them shall not make a rating on the notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Issuer (as certified by a resolution of the Board of Directors) which shall be substituted for Standard & Poor's Ratings Group, Inc., Fitch Inc. or Moody's Investors Service, Inc. or the three of them, as the case may be.

"*Rating Date*" means in connection with a Change of Control Event, the date that is 90 days prior to the earlier of (i) the occurrence of a Change of Control or (ii) public notice of the occurrence of a Change of Control or of the intention of the Parent or any other Person or Persons to effect a Change of Control.

"*Ratings Decline*" means in connection with a Change of Control Event, the occurrence, on or within 90 days (which period will be (i) extended for so long as any of the Rating Agencies has publicly announced that it is considering a possible ratings change as a result of a Change of Control or (ii) reduced in the event of a Rating Reaffirmation to the date on which the Rating Reaffirmation has been obtained) after the earlier to occur of public notice of (i) the occurrence of a Change of Control and (ii) the intention by the Parent or any other Person or Persons to effect a Change of Control, of any of the events listed below, in each case expressly as a result of such Change of Control:

(a) in the event the notes have an Investment Grade Rating by any two or more Rating Agencies on the Rating Date, the rating of the notes by any such Rating Agency will be changed to below an Investment Grade Rating;

(b) in the event the notes have an Investment Grade Rating by any, but not two or more, of the Rating Agencies on the Rating Date, the rating of the notes by such Rating Agency will be changed to below an Investment Grade Rating; or

(c) in the event the notes are rated below an Investment Grade Rating by any two or more Rating Agencies on the Rating Date, the rating of the notes by any such Rating Agency will be decreased by one or more gradations (including gradations within rating categories as well as between rating categories).

"*Rating Reaffirmation*" means, in connection with a Change of Control, a written reaffirmation from each Rating Agency then rating the notes stating that the credit rating on the notes, which was in effect immediately prior to a public notice of such Change of Control or of the intention of the Parent or any Person to effect such Change of Control, will not be decreased as a result of such Change of Control.

"*Real Plaza*" means Real Plaza S.R.L.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, defease, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) (collectively, "*refinance*," "*refinances*" and "*refinanced*" shall each have a correlative meaning) any Indebtedness, in whole or in part, existing on the Issue Date or Incurred in compliance with the Indenture (including Indebtedness of the Parent that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided* that:

(1) (a) if the Stated Maturity of the Indebtedness being refinanced is earlier than the Stated Maturity of the notes, the Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Indebtedness being refinanced or (b) if the Stated Maturity of the Indebtedness being refinanced is later than the Stated Maturity of the notes, the Refinancing Indebtedness has a Stated Maturity at least 91 days later than the Stated Maturity of the notes;

(2) the Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is Incurred that is equal to or greater than the Average Life of the Indebtedness being refinanced;

(3) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and fees Incurred in connection therewith);

(4) if the Indebtedness being refinanced is subordinated in right of payment to the notes or the Note Guarantees, such Refinancing Indebtedness is subordinated in right of payment to the notes or the Note Guarantees on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced; and

(5) Refinancing Indebtedness shall not include Indebtedness of a Non-Guarantor Subsidiary that refinances Indebtedness of the Issuer or a Guarantor.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Parent which at the time of determination is not an Unrestricted Subsidiary. For the avoidance of doubt, initially all Subsidiaries of the Parent shall be Restricted Subsidiaries. The Issuer will at all times constitute a Restricted Subsidiary.

"*Sale/Leaseback Transaction*" means an arrangement relating to property now owned or hereafter acquired whereby the Parent or a Restricted Subsidiary transfers such property to a Person (other than the Parent or any of its Restricted Subsidiaries) and the Parent or a Restricted Subsidiary leases it from such Person.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Secured Indebtedness*" means any Indebtedness of the Parent or any of its Restricted Subsidiaries secured by a Lien.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"*Senior Management*" means the chief executive officer and the chief financial officer of the Parent.

"*Significant Subsidiary*" means any Restricted Subsidiary that would be a "Significant Subsidiary" of the Parent within the meaning of Rule 1-02 under Regulation S-X promulgated by the SEC. For purposes of the section of this "Description of the Notes" entitled "Events of Default," any reference to "Significant Subsidiary" refers to any Significant Subsidiary or any group of Restricted Subsidiaries that, taken together (as of the date of the latest audited consolidated financial statements of the Parent and its Restricted Subsidiaries), would constitute a Significant Subsidiary.

"*Similar Business*" means any business conducted or proposed to be conducted by the Parent and its Restricted Subsidiaries on the Issue Date and any business that is similar, reasonably related, incidental or ancillary thereto or is an extension or development of any thereof.

"*Soles Notes*" means the S/313.5 million aggregate principal amount of 6.5625% notes due 2028 expected to be offered and sold concurrently with the notes.

"*Stated Maturity*" means, with respect to any security, the date specified in the agreement governing or certificate relating to such Indebtedness as the fixed date on which the final payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but not including any contingent obligations to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Subordinated Obligation*" means any Indebtedness of the Issuer (whether outstanding on the Issue Date or thereafter Incurred) that is subordinated or junior in right of payment to the notes pursuant to a written agreement.

"*Subsidiary*" of any Person means (a) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total ordinary Voting Shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof (or Persons performing similar functions) or (b) any partnership, joint venture, limited liability company, trust (including, but not limited to, fideicomisos, patrimonios fideicometidos, fideicomisos de titulización and patrimonios fideicometidos de fideicomisos de titulización, in each case incorporated under Peruvian law) or similar entity of which more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, is, in the case of clauses (a) and (b), at the time owned or controlled, directly or indirectly, by (1) such Person, (2) such Person and one or more Subsidiaries of such Person or (3) one or more Subsidiaries of such Person. Interproperties Peru shall be deemed a Subsidiary of the Parent only with respect to real estate properties and other assets pertaining to the classes of Capital Stock of Interproperties Peru which at the time are owned or controlled, directly or indirectly, by the Parent and/or one or more of its Subsidiaries. Unless otherwise specified herein, each reference to a Subsidiary will refer to a Subsidiary of the Parent and/or the Issuer.

"*Subsidiary Guarantor*" means any Guarantor that is a Restricted Subsidiary of the Parent.

"*Total Assets*" means the sum of all the real estate properties and all other assets (excluding intangibles and receivables (other than tax receivables and accounts receivable from related parties)) of the Parent and its Restricted Subsidiaries as reflected on the consolidated balance sheet of the Parent and its Restricted Subsidiaries prepared in accordance with IFRS. For the avoidance of doubt, the outstanding balance of the US$150.0 million intercompany loan made by the Issuer to its Affiliate InRetail Peru Corp. with part of the proceeds from the offering of the notes will be included in the definition of Total Assets.

"*Trustee Agent*" means any factor fiduciario appointed by the ISM Trustee as its representative for the Issuer, Interproperties Holding or Interproperties Holding II.

"*Unencumbered Assets*" means the Total Assets of the Parent and its Restricted Subsidiaries that are not subject to any Liens.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Parent which at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors of the Parent in the manner provided below; and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Parent may designate any Subsidiary of the Parent (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger or consolidation or Investment therein but excluding the Issuer) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of or have any Investment in, or own or hold any Lien on any property of, any other Subsidiary of the Parent that is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary;

(2) all the Indebtedness of such Subsidiary and its Subsidiaries shall, at the date of designation, and will at all times thereafter, consist of Non-Recourse Debt;

(3) such designation and the Investment of the Parent in such Subsidiary complies with "—Certain Covenants—Limitation on Restricted Payments";

(4) such Subsidiary, either alone or in the aggregate with all other Unrestricted Subsidiaries, does not operate, directly or indirectly, all or substantially all of the business of the Parent and its Subsidiaries;

(5) such Subsidiary is a Person with respect to which neither the Parent nor any of its Restricted Subsidiaries has any direct or indirect obligation:

(a) to subscribe for additional Capital Stock of such Person; or

(b) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results; and

(6) on the date such Subsidiary is designated an Unrestricted Subsidiary, such Subsidiary is not a party to any agreement, contract, arrangement or understanding with the Parent or any Restricted Subsidiary with terms substantially less favorable to the Parent than those that might have been obtained from Persons who are not Affiliates of the Parent.

Any such designation by the Board of Directors of the Parent shall be evidenced to the Indenture Trustee by providing to the Indenture Trustee a resolution of the Board of Directors of the Parent giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions. If, at any time, any Unrestricted Subsidiary would fail to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture, and any Indebtedness of such Subsidiary shall be deemed to be Incurred as of such date.

The Board of Directors of the Parent may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof and the Parent could Incur at least US$1.00 of additional Indebtedness pursuant to the covenant described under "—Certain Covenants—Limitation on Indebtedness—Leverage Test" on a *pro forma* basis taking into account such designation.

"*Unsecured Indebtedness*" means, as of any date, that portion of total outstanding Indebtedness as of that date that is not Secured Indebtedness of the Parent or any of its Subsidiaries.

"*U.S. Government Securities*" means securities that are (a) direct obligations of the United States of America for the timely payment of which its full faith and credit is pledged or (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the timely payment of which is unconditionally Guaranteed as a full faith and credit obligation of the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depositary receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such U.S. Government Securities or a specific payment of principal of or interest on any such U.S. Government Securities held by such custodian for the account of the holder of such depositary receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the U.S. Government Securities or the specific payment of principal of or interest on the U.S. Government Securities evidenced by such depositary receipt.

"*Voting Stock*" of a Person means securities of all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of members of the Board of Directors (or equivalent governing body), managers or trustees, as applicable, of such Person.

"*Wholly-Owned Subsidiary*" means a Restricted Subsidiary, all of the Capital Stock of which (other than directors' qualifying shares) is owned by the Parent or another Wholly-Owned Subsidiary.

BOOK-ENTRY, DELIVERY AND FORM

The certificates representing the notes will be issued in fully registered form without interest coupons. Notes sold in reliance on Rule 144A under the Securities Act initially will be represented by permanent notes in global, fully registered form without interest coupons (each, a "Restricted Global Note"). The notes sold in offshore transactions in reliance upon Regulation S under the Securities Act will initially be represented by permanent notes in global, fully registered form without interest coupons (each, a "Regulation S Global Note," together with the Restricted Global Notes, the "Global Notes"). The Global Notes will be deposited with the trustee as a custodian for DTC, as depositary, and registered in the name of a nominee of such depositary.

The Global Notes (and any notes issued in exchange therefor) will be subject to certain restrictions on transfer set forth therein and in the indenture and will bear the applicable legend regarding such restrictions set forth under the heading "Transfer Restrictions—Legends" herein. Qualified Institutional Buyers ("QIBs") or non–U.S. purchasers may elect to take a Certificated Security (as defined below under "Certificated Securities") instead of holding their interests through the Global Notes (collectively referred to herein as the "Non–Global Purchasers"), which certificated notes will be ineligible to trade through DTC, only in the limited circumstances described below. For a description of the restrictions on transfer of Certificated Securities and any interest in the Global Notes, see "Transfer Restrictions."

The Global Notes

We expect that, pursuant to procedures established by DTC, (i) upon the issuance of the Global Notes, DTC or its custodian will credit, on its internal system, the principal amount at maturity of the individual beneficial interests represented by such Global Notes to the respective accounts of persons who have accounts with such depositary ("participants") and (ii) ownership of beneficial interests in the Global Notes will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Such accounts initially will be designated by or on behalf of the initial purchasers and ownership of beneficial interests in the Global Notes and will be limited to participants or persons who hold interests through participants. Holders may hold their interests in the Global Notes directly through DTC if they are participants in such system, or indirectly through organizations that are participants in such system.

So long as DTC or its nominee is the registered owner or holder of the notes, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such Global Notes for all purposes under the indenture governing the notes. No beneficial owner of an interest in the Global Notes will be able to transfer that interest except in accordance with DTC's procedures, in addition to those provided for under the indenture with respect to the notes.

Payments of the principal of, and premium (if any) and interest on, the Global Notes will be made to DTC or its nominee, as the case may be, as the registered owner thereof. Neither we, the indenture trustee, any paying agent, any transfer agent or the registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interest.

We expect that DTC or its nominee, upon receipt of any payment of principal of, and premium (if any) and interest on the Global Notes, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Notes as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in the Global Notes held through such participants will be governed by standing instructions and customary practice, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

DTC has advised us that it will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of notes as to which such participant or participants has or have given such direction. However, if there is an event of default under the indenture, DTC will exchange the Global Notes for Certificated Securities, which it will distribute to its participants and which will be legended as set forth under the heading “Transfer Restrictions.”

DTC has advised us as follows: DTC is a limited–purpose trust company organized under New York banking law, a “banking organization” within the meaning of the New York banking law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for issues of U.S. and non–U.S. equity, corporate and municipal debt issues that participants deposit with DTC. DTC also facilitates the post–trade settlement among participants of sales and other securities transactions in deposited securities through electronic computerized book–entry transfers and pledges between participants’ accounts. This eliminates the need for physical movement of securities certificates. Participants include both U.S. and non–U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Access to the DTC system is also available to indirect participants such as both U.S. and non–U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a participant, either directly or indirectly.

Although DTC has agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants of DTC, it is under no obligation to perform such procedures, and such procedures may be discontinued at any time. None of us, the trustee, any paying agent, any transfer agent or the registrar will have any responsibility for the performance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Certificated Securities

A Global Note is exchangeable for certificated notes in fully registered form without interest coupons (“Certificated Securities”) only in the following limited circumstances:

- DTC notifies us that it is unwilling or unable to continue as depositary for the Global Note and we fail to appoint a successor depositary within 90 days of such notice, or

- there shall have occurred and be continuing an event of default with respect to the notes under the indenture and DTC shall have requested the issuance of Certificated Securities.

Certificated Securities may not be exchanged for beneficial interests in any Global Note unless the transferor first delivers to the trustee a written certificate (in the form provided in the indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such notes. See “Transfer Restrictions.”

The laws of some states require that certain persons take physical delivery in definitive form of securities that they own. Consequently, the ability to transfer the notes will be limited to such extent.

Exchanges Between Regulation S Notes and Restricted Global Notes

Beneficial interests in one Global Note may generally be exchanged for interests in another Global Note. Depending on whether the transfer is being made during or after the 40-day period commencing on the original issue date of the notes, and to which Global Note the transfer is being made, the seller may be required to provide certain written certifications in the form provided in the indenture. A beneficial interest in a Global Note that is transferred to a person who takes delivery through another Global Note will, upon transfer, become subject to any transfer restrictions and other procedures applicable to beneficial interests in the other Global Note.

Transfers involving exchanges of beneficial interests between the Regulation S Global Notes and the Restricted Global Notes will be effected by DTC by means of an instruction originated through the DTC deposit/withdrawal at custodian system. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Restricted Global Note or vice versa, as applicable. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in the other Global Note will, upon transfer, cease to be an interest in such Global Note and will become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other Global Note for so long as it remains such an interest.

TAXATION

The following discussion summarizes certain Peruvian, Panamanian and U.S. federal income tax considerations that may be relevant to you if you invest in the notes. This summary is based on laws, regulations, rulings and decisions now in effect in Peru, Panama and the United States, which, in each case, may change. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisors about the tax consequences of holding the notes, including the relevance to your particular situation of the considerations discussed below, as well as of state, local and other tax laws.

Peruvian Tax Considerations

The discussion in this offering memorandum regarding Peruvian tax considerations is not intended or written to be used, and cannot be used or relied upon by any person, for the purpose of avoiding Peruvian taxation, and was written to support the promotion or marketing of this offering. Prospective investors should consult an independent tax advisor with respect to the Peruvian tax consequences of acquiring, owning or disposing of the notes.

The following is a general summary of certain material Peruvian tax consequences that may be relevant with respect to the purchase, ownership or disposition of the notes by non-Peruvian holders. This summary is not intended to be a comprehensive description of all of the Peruvian tax considerations that may be relevant to a decision by non-Peruvian holders to make an investment in the notes.

For purposes of this section, "non-Peruvian holder" means (i) any individual who is not domiciled in Peru for tax purposes; and (ii) any legal entity incorporated outside of Peru, provided that it does not conduct any trade or business through a permanent establishment in Peru or hold the notes through a Peruvian branch. A non-Peruvian individual will be deemed domiciled in Peru for tax purposes if such individual has resided or has remained in Peru for more than 183 calendar days during any twelve-month period. The change on the condition of residence will be effective as of January 1 of the following calendar year.

Income tax

Payment of interest

Interest paid on the notes to non-Peruvian holders will be treated as Peruvian-source income and will be subject to a withholding of Peruvian Income Tax (*Impuesto a la Renta*) at a rate of 4.99%. However, if the non-Peruvian holder of the notes is considered to be related to the Issuer, under Peruvian tax laws (this includes cases where an indirect relation exists between the Issuer and the holder of a note), or if the non-Peruvian holder is an individual who domiciles in a low or no-tax jurisdiction as defined in the Peruvian Income Tax Law and its Regulations, the withholding income tax rate will be 30%.

The Issuer is required to act as withholding agent for income tax payable in connection with interest paid on the notes to non-Peruvian holders. However, if the notes are listed on the Peruvian Stock Exchange, the Peruvian clearing house ("CAVALI") will act as withholding agent instead.

Sale of the notes

Proceeds received by a non-Peruvian holder on a sale, exchange or disposition of a beneficial interest in the global notes held through a foreign clearing system will not be subject to any Peruvian withholding or capital gains tax. In the event that the beneficial interests in the global notes are exchanged for definitive notes, any capital gains accrued and received by a non-Peruvian holder from the sale, exchange or disposition of a beneficial interest in the notes will be subject to Peruvian Income Tax at a preferential rate of 5% if the following requirements are satisfied: (i) the notes are registered with the Peruvian Securities Public Registry (*Registro Público del Mercado de Valores*), and (ii) the notes are transferred through the Peruvian Stock Exchange. In this case, CAVALI will also act as withholding agent of the Peruvian Income Tax levied on such capital gains. Otherwise, capital gains will be taxed at a 30% income tax rate.

A capital gain will be equal to the difference between (i) the amount realized on the sale, exchange or disposition of the notes, and (ii) the purchase price paid for the notes, which must be certified by the Peruvian tax administration, before any payment is made, pursuant to a form submitted by the seller along with back-up documentation evidencing, among others, that the purchase price has been paid in a Peruvian bank account, unless the sale, exchange or disposition is made through the Peruvian Stock Exchange.

A tax exemption with regard to Peruvian income tax may be applicable to the sale or disposition of the definitive notes if they are traded within the Peruvian Stock Exchange and additional requirements are met. This exemption will be in force until December 31, 2019.

Redemption of the notes

Should any premium received upon an early redemption of the notes be deemed to be Peruvian-source income, such premium received would be subject to a withholding of Peruvian Income Tax at a rate of either 4.99% or 30% depending on whether the premium is characterized as interest or capital gain. However, a 30% withholding tax rate will apply to any premium received if the non-Peruvian holder of the notes is considered to be related to the Issuer.

The Issuer has agreed, subject to specific exceptions and limitations, to pay Additional Amounts to the holders of the notes in respect of certain Peruvian Income Taxes mentioned above. See "Description of the Notes—Additional Amounts."

Non-Peruvian holders of the notes should consult an independent tax advisor regarding the specific Peruvian income tax considerations of acquiring, owning or disposing of the notes.

Value added tax

Interest paid on the notes is not subject to Peruvian Value Added Tax (*Impuesto General a las Ventas,* or "VAT").

The sale, exchange or disposition of the notes is not subject to VAT.

Financial transaction tax

In Peru, there is a financial transactions tax ("FTT"), which taxes at a rate of 0.005% any debit or credit made in an account opened with a Peruvian bank or any other financial institution, either in Peruvian or foreign currency. Likewise, if the issue price paid for the notes is deposited in a Peruvian Financial System ("PFS") bank account, such credit will also be levied at the corresponding FTT rate. The taxpayer of the FTT is the holder of the PFS bank account.

Panamanian Tax Considerations

The following is a summary of certain Panamanian income tax consequences resulting from the beneficial ownership and disposition of the notes. This summary is based on the Panamanian Tax Code of 1956, as amended, applicable tax laws, decrees and regulations issued thereunder, and judicial and administrative interpretations thereof, all as in effect on the date hereof, and is subject to any changes in these or other laws, decrees, regulations and interpretations occurring after such date, including those with retroactive effect. This summary is intended as a summary only and is not a complete list or analysis of all potential Panamanian tax consequences to holders of the notes. This summary does not address the tax treatment of potential investors that may be subject to special income tax withholding rules. The summary is not intended as tax advice to any particular investor, nor does it purport to furnish information in the level of detail or with attention to an investor's specific tax circumstances that would be provided by an investor's own tax advisor. Prospective purchasers of the notes should consult their own tax advisors as to the specific Panamanian and other tax consequences of acquiring, owning, and disposing of the notes.

Payments of principal and interest on the notes and payments on the guarantees will not be subject to income tax or withholding taxes in Panama, so long as the net proceeds upon the issuance and sale of the notes are not placed, invested or economically utilized in Panama and the income we earned was exclusively from activities outside Panama.

Capital gains realized by a holder of the notes that is not domiciled in Panama nor generating taxable income in Panama or a tax resident of Panama on the sale or other disposition of the notes that is executed and effected outside of Panama, and for which payment thereof is made outside of Panama (a "Foreign Trade"), will not be subject to income or capital gains tax in Panama. If the sale or other disposition of the notes does not qualify as a Foreign Trade, then capital gains realized on the sale or other disposition of the notes that are attributable to a Panamanian source will be subject to a 10% capital gains tax, payable by a 5% withholding tax on the purchase price, which can be credited against the actual capital gains tax due. Losses recognized on the sale or other disposition of notes will be disallowed as a deduction for income tax purposes in Panama.

There are no stamp, transfer or inheritance taxes applicable to the sale or other disposition of the notes which are payable in Panama. Notwithstanding the foregoing, the notes and transaction documents will become subject to stamp taxes in Panama if and when submitted as evidence before any court or other governmental authority in Panama at a rate of US$0.10 for each US$100.00 or fraction of US$100.00 of the face value of the obligations stated therein.

The offering and sale of the notes and the use of proceeds therefrom described in this offering memorandum will all take place outside of Panama, and we do not intend to place, invest or economically utilize the proceeds in Panama that we will receive upon the issuance and sale of the notes, or to conduct business activities in Panama.

With the exception of an Agreement for Tax Cooperation and the Exchange of Information Relating to Taxes entered into between Panama and the United States of America on November 30, 2010, which came into effect on April 18, 2011, there is currently no tax treaty between the United States and Panama. Panama has also entered into Agreements for Taxation Cooperation and the Exchange of Taxation Information with Canada, Denmark, Finland, Greenland, Iceland, Faroe Islands, Norway, Sweden and Japan.

Panama has entered into treaties to avoid double taxation with the following countries, all of which are currently in force: Barbados, South Korea, United Arab Emirates, Spain, France, Netherlands, Ireland, Luxembourg, Mexico, Portugal, Qatar, United Kingdom, Czech Republic, Singapore, Israel, Vietnam and Italy.

U.S. Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax consequences of acquiring, owning and disposing of the notes. Except where otherwise noted, this discussion applies only to U.S. Holders (as defined below) of notes that purchase the notes at the initial issue price indicated on the cover of this offering memorandum and that hold the notes as "capital assets" (generally, property held for investment). This discussion is based on the Code, its legislative history, existing final, temporary and proposed U.S. Treasury regulations, administrative pronouncements by the Internal Revenue Service (the "IRS") and judicial decisions, all as of the date hereof and all of which are subject to change (possibly on a retroactive basis) and to different interpretations. This discussion assumes that the notes will not be issued with more than a *de minimis* amount of original issue discount for U.S. federal income tax purposes.

This discussion does not purport to address all U.S. federal income tax consequences that may be relevant to a particular holder and holders are urged to consult their own tax advisors regarding their specific tax situations. The discussion does not address all of the tax consequences that may be relevant to holders subject to special tax rules, including, for example:

- insurance companies;
- tax-exempt organizations;
- dealers in securities or currencies;
- traders in securities that elect the mark-to-market method of accounting with respect to their securities holdings;
- banks or other financial institutions;

- partnerships or other pass-through entities for U.S. federal income tax purposes;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to the notes being taken into account in an "applicable financial statement" (as defined in Section 451 of the Code);
- U.S. Holders whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- U.S. expatriates; or
- holders that hold the notes as part of a hedge, straddle, conversion or other integrated transaction.

Further, this discussion does not address the U.S. federal estate and gift tax, or alternative minimum tax consequences, or the Medicare tax on net investment income, or any state, local and non-U.S. tax consequences of acquiring, owning and disposing of the notes.

As used herein, the term "U.S. Holder" means a beneficial owner of the notes that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or any other entity taxable as a corporation, created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) the trust has an election in effect under current U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or any other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the notes, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor as to its consequences of acquiring, owning and disposing of the notes.

Treatment of the Notes

In certain circumstances, we may be obligated to pay amounts in excess of stated interest or principal on the notes. For example, in the event of a Change of Control Event (as defined in "Description of the Notes—Repurchase at the Option of Holders—Change of Control"), we would generally be required to offer to repurchase the notes at 101% of their principal amount plus accrued and unpaid interest (see "Description of the Notes—Repurchase at the Option of Holders—Change of Control"). We intend to take the position that the notes should not be treated as "contingent payment debt instruments" for U.S. federal income tax purposes because of these additional payments. This position is based in part on assumptions regarding the likelihood, as of the date of issuance of the notes, that such additional payments will be paid. Our position is binding on all holders, unless a holder discloses its differing position in a statement attached to its timely filed U.S. federal income tax return for the taxable year during which a note was acquired. The IRS, however, may take a contrary position from that described above, which could affect the timing and amount of income included and the character of gain recognized with respect to the notes. The remainder of this discussion assumes that the notes will not be treated as contingent payment debt instruments for U.S. federal income tax purposes.

Stated Interest

Stated interest paid to a U.S. Holder on a note, including any amount withheld in respect of any taxes and any Additional Amounts, will be includible in such U.S. Holder's gross income as ordinary interest income at the time such payments are received or accrued in accordance with such U.S. Holder's usual method of tax accounting for U.S. federal income tax purposes. In addition, interest on the notes will be treated as foreign source income for U.S.

federal income tax purposes and generally will constitute "passive category" income for most U.S. Holders. Subject to generally applicable restrictions and conditions (including a minimum holding period requirement), a U.S. Holder generally will be entitled to a foreign tax credit in respect of any foreign income taxes withheld on interest payments on the notes. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale, Exchange or Other Taxable Disposition

Upon the sale, exchange or other taxable disposition (including a redemption) of a note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the sale, exchange or other taxable disposition (other than accrued but unpaid stated interest which will be taxable as ordinary income to the extent not previously included in gross income) and the U.S. Holder's adjusted tax basis in the note. A U.S. Holder's adjusted tax basis in a note generally will equal the cost of the note to the U.S. Holder. Any such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the note has been held for more than one year at the time of its sale, exchange or other taxable disposition. Certain non-corporate U.S. Holders (including individuals) may be eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

Any gain or loss realized on the sale, exchange or other taxable disposition of a note generally will be treated as U.S. source gain or loss, as the case may be. If any gain from the sale, exchange or other taxable disposition of notes is subject to foreign income tax (such as the Peruvian capital gains tax described above under "—Peruvian Tax Considerations—Income tax—Sale of the notes"), U.S. Holders may not be able to credit such tax against their U.S. federal income tax liability under the U.S. foreign tax credit limitations of the Code (because such gain generally would be U.S. source income) unless such income tax can be credited (subject to applicable limitations) against U.S. federal income tax due on other income that is treated as derived from foreign sources. Alternatively, the U.S. Holder may deduct such taxes in computing taxable income for U.S. federal income tax purposes provided that the U.S. Holder does not elect to claim a foreign tax credit for any foreign income taxes paid or accrued for the relevant taxable year.

U.S. Backup Withholding and Information Reporting

Backup withholding and information reporting requirements generally apply to payments of principal of, and interest on, a note and to proceeds of the sale or redemption of a note, to U.S. Holders. Information reporting generally will apply to payments of principal of, and interest on, notes (including Additional Amounts, if any), and to proceeds from the sale or redemption of notes within the United States, or by a U.S. payor or U.S. middleman, to a U.S. Holder (other than an exempt recipient). Backup withholding will be required on payments made within the United States, or by a U.S. payor or U.S. middleman, on a note to a U.S. Holder, other than an exempt recipient, if the U.S. Holder fails to furnish its correct tax payer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements.

Backup withholding is not an additional tax. A holder of notes generally will be entitled to credit any amounts withheld under the backup withholding rules against its U.S. federal income tax liability or to obtain a refund of the amounts withheld provided the required information is furnished to the IRS in a timely manner.

In addition, certain U.S. Holders are required to report information relating to an interest in the notes, subject to certain exceptions (including an exception for notes held in accounts maintained by certain financial institutions). U.S. Holders should consult their tax advisors regarding information reporting requirements relating to the ownership of the notes.

The above description is not intended to constitute a complete analysis of all tax consequences relating to the ownership of notes. Prospective purchasers of notes should consult their own tax advisors concerning the tax consequences of their particular situations.

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in a purchase agreement dated the date of this offering memorandum between us and the initial purchasers, we have agreed to sell to the initial purchasers, and each of the initial purchasers has, severally and not jointly, agreed to purchase from us, the principal amount of the notes offered hereby that appears opposite its name in the table below.

Initial Purchasers	Principal Amount
Citigroup Global Markets Inc.	US$131,250,000
J.P. Morgan Securities LLC	US$131,250,000
Credit Suisse Securities (USA) LLC	US$87,500,000
Total	US$350,000,000

The purchase agreement provides that the obligation of the initial purchasers to purchase the notes is subject to certain conditions precedent and that the initial purchasers will purchase all of the notes offered hereby if any of such notes offered hereby are purchased. The initial purchasers may offer and sell the notes through certain of their respective affiliates.

We have been advised that the initial purchasers propose to resell the notes at the offering price set forth on the cover page of this offering memorandum. The price at which the notes are offered may be changed at any time without notice.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under U.S. securities laws, and to contribute to payments that the initial purchasers may be required to make in respect of any of these liabilities.

The notes offered hereby have not been and will not be registered under the Securities Act. The initial purchasers have agreed that they will offer or sell the notes in the United States only to qualified institutional buyers pursuant to Rule 144A under the Securities Act and outside the United States pursuant to Regulation S under the Securities Act. See "Transfer Restrictions."

Listing of Securities

Application has been made to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF Market. The initial purchasers may make a market in the notes after completion of the offering of the notes, but will not be obligated to do so, and may discontinue any market-making activities at any time without notice. Neither we nor the initial purchasers can provide any assurance as to the liquidity of the trading market for the notes. If an active public trading market for the notes is not maintained, the market price and liquidity of the notes may be adversely affected.

No Sales of Similar Securities

We have agreed that we will not, for a period of 60 days after the date of this offering memorandum, without the prior written consent of Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Credit Suisse Securities (USA) LLC, offer, sell, contract to sell or otherwise dispose of any debt securities substantially similar to the notes offered hereby in the international capital markets, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Stabilization Transactions

In connection with the offering of the notes, the initial purchasers (or persons acting on their behalf) may over-allot notes or effect transactions with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, there is no assurance that the initial purchasers (or persons acting on their behalf) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the notes is made, and, if begun may be ended at any time, but it must end no later than 30 days after the date on which the issuer received the proceeds of the issue, or no later than 60 days after the date of allotment of the relevant securities, whichever is the earlier.

Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Stabilizing transactions may cause the price of the notes to be higher than it would otherwise be in the absence of those transactions.

Sales Outside the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Peru

The notes will not be subject to a public offering in Peru. The notes and the information contained in this offering memorandum have not been and will not be registered with or approved by the SMV or the Lima Stock Exchange (*Bolsa de Valores de Lima*). Accordingly, the notes cannot be offered or sold in Peru, except if (i) the notes were previously registered with the SMV, or (ii) such offering is considered a private offering under the securities laws and regulations of Peru. The Peruvian securities laws establish, among other things, that an offer directed exclusively at institutional investors (as defined by Peruvian law) qualifies as a private offering. In making an investment decision, institutional investors (as defined by Peruvian law) must rely on their own examination of the terms of the offering of the notes to determine their ability to invest in the notes.

The notes have been reviewed and approved by the Peruvian private pension fund investment companies (AFP) for Peruvian private pension fund investment eligibility, as required by Peruvian legislation.

No offer or invitation to subscribe for or sell the notes or beneficial interests therein can be made in Peru except in compliance with the securities law thereof.

European Economic Area

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any Retail Investor in the European Economic Area ("EEA"). For these purposes, a "Retail Investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "Prospectus Directive"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. This offering memorandum has been prepared on the basis that any offer of notes in any member state of the EEA will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of notes. This offering memorandum is not a prospectus for the purposes of the Prospectus Directive.

United Kingdom

In the United Kingdom, this offering memorandum is being distributed only to, and is directed only at, persons who are "qualified investors" (as defined in the Prospectus Directive) who are (i) persons having professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order, or (iii) persons to whom it would otherwise be lawful to distribute it, all such persons together being referred to as "Relevant Persons." The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such notes will be engaged in only with, Relevant Persons. This offering memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by any recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this offering memorandum or its contents.

Switzerland

The notes may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This offering memorandum has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this offering memorandum nor any other offering or marketing material relating to the notes or the offering of the notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this offering memorandum nor any other offering or marketing material relating to the offering, the issuer or the notes have been or will be filed with or approved by any Swiss regulatory authority. In particular, this offering memorandum will not be filed with, and the offering of the notes will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offering of notes has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the notes.

Italy

The offering of the notes has not been registered with the *Commissione Nazionale per le Societa e la Borsa* ("CONSOB") pursuant to Italian securities legislation and, accordingly, no notes may be offered, sold or delivered, nor copies of this offering memorandum or any other documents relating to the notes may not be distributed in Italy except:

(a) to "qualitied investors," as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "Decree No. 58") and defined in Article 26, paragraph 1, letter d) of CONSOB Regulation No. 16190 of 29 October 2007, as amended ("Regulation No. 16190") pursuant to Article 34-ter, paragraph 1, letter. b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("Regulation No. 11971"); or

(b) in any other circumstances where an express exemption from compliance with the offer restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any offer, sale or delivery of the notes or distribution of copies of this offering memorandum or any other documents relating to the notes in the Republic of Italy must be:

(a) made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of 1 September 1993, as amended (the "Banking Law"), Decree No. 58 and Regulation No. 16190 and any other applicable laws and regulations;

(b) in compliance with Article 129 of the Banking Law, and the implementing guidelines of the Bank of Italy, as amended; and

(c) in compliance with any other applicable notification requirement or limitation which may be imposed, from time to time, by CONSOB or the Bank of Italy or other competent authority.

Please note that, in accordance with Article 100-bis of Decree No. 58, where no exemption from the rules on public offering applies, the subsequent distribution of the notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under Decree No. 58 and Regulation No. 11971.

Furthermore, securities which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are regularly ("*sistematicamente*") distributed on the secondary market in Italy to non-qualified investors become subject to the public offer and the prospectus requirement rules provided under Decree No. 58 and Regulation No. 11971. Failure to comply with such rules may result in the sale of the notes being declared null and void and in the liability of the intermediary transferring the notes for any damages suffered by such non-qualified investors.

Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Chile

Pursuant to Law No. 18,045 of Chile (the securities market law of Chile) and Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the Superintendency of Securities and Insurance of Chile (*Superintendencia de Valores y Seguros de Chile*, or the "SVS"), the notes may be privately offered in Chile to certain "qualified investors" identified as such by Rule No. 336 (which in turn are further described in Rule No. 216, dated June 12, 2008, of the SVS).

Rule No. 336 requires the following information to be provided to prospective investors in Chile:

(1) Date of commencement of the offer: March 15, 2018. The offer of the notes is subject to Rule No. 336, dated June 27, 2012, issued by the SVS;

(2) The notes and this offering memorandum are not registered with the Securities Registry *(Registro de Valores*) of the SVS, nor with the foreign securities registry (*Registro de Valores Extranjeros*) of the SVS and as such are not subject to the oversight of the SVS;

(3) Since the notes are not registered in Chile, there is no obligation by the issuer to make publicly available information about the notes in Chile; and

(4) The notes shall not be subject to a public offering in Chile unless registered with the relevant Securities Registry of the SVS.

La oferta de los valores comienza el 15 de Marzo de 2018 y está acogida a la Norma de Carácter General 336 de la Superintendencia de Valores y Seguros de Chile (la "SVS"). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública a menos que sean inscritos en el registro de valores correspondiente.

Colombia

The notes will not be authorized by the *Superintendencia Financiera de Colombia* (Colombian Superintendency of Finance) and will not be registered under the *Registro Nacional de Valores y Emisores* (Colombian National

Registry of Securities and Issuers), and, accordingly, the notes will not be offered or sold to persons in Colombia except in circumstances which do not result in a public offering under Colombian law.

Hong Kong

The notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Japan

The notes have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, none of the notes nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any "resident" of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA, in each case subject to compliance with conditions set forth in the SFA.

Where the notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the notes pursuant to an offer made under Section 275 of the SFA except:

1. to an institutional investor (for corporations, under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than US$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of

securities or other assets, and further for corporations, in accordance with the conditions specified in Section 275 of the SFA;

2. where no consideration is or will be given for the transfer; or

3. where the transfer is by operation of law.

Relationships with the Initial Purchasers

In the ordinary course of business, the initial purchasers and their affiliates have provided, and may in the future provide, investment banking, commercial banking, cash management, foreign exchange or other financial services to us and our affiliates for which they have received customary compensation and may receive compensation in the future.

In addition, in the ordinary course of their business activities, the initial purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. Affiliates of each of Citigroup Global Markets Inc., J.P. Morgan Securities LLC and Credit Suisse Securities (USA) LLC, each an initial purchaser, are lenders under the Credit Agreement dated as of January 26, 2018 by and among, *inter alia*, Eckerd Peru S.A., as borrower, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders from time to time party thereto (the "Bridge Loan"). The Bridge Loan is being repaid in part with part of the net proceeds of this offering. See "Use of Proceeds." The initial purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Settlement

Delivery of the notes offered hereby took place on April 3, 2018, the fourth business day following the date of pricing of the notes. As of September 5, 2017, under Rule 15c6-1 of the U.S. Securities and Exchange Commission under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes on or prior to the settlement date may be required, by virtue of the fact that the notes initially will settle in T+4, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement and should consult with their own advisor.

TRANSFER RESTRICTIONS

The notes have not been registered, and will not be registered, under the Securities Act or any state securities laws, and the notes may not be offered or sold except pursuant to an effective registration statement or pursuant to transactions exempt from, or not subject to, registration under the Securities Act. Accordingly, the notes are being offered and sold only:

1. in the United States to qualified institutional buyers (as defined in Rule 144A) pursuant to Rule 144A under the Securities Act; and

2. outside of the United States, to certain persons, other than U.S. persons, in offshore transactions meeting the requirements of Rule 903 of Regulation S under the Securities Act.

This offering memorandum and the notes have not been and will not be registered with or approved by the SMV, the Lima Stock Exchange (*Bolsa de Valores de Lima*) or any other regulatory authority in Peru, nor have any such authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Such registration is not required where the distribution of notes is made in accordance with the laws and rules of the countries in which the distribution is made; provided, however, that this offering memorandum may not be publicly distributed in Peru and the notes cannot be offered or sold in Peru, except if such offering is considered a private offering under the securities laws and regulations of Peru. Accordingly, no offer or invitation to subscribe for or sell the notes or beneficial interests therein can be made in Peru, except in compliance with the applicable Peruvian securities laws.

Purchasers' Representations and Restrictions on Resale and Transfer

Each purchaser of the notes (other than the initial purchasers in connection with the initial issuance and sale of the notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

1. it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;

2. it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any state and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

3. it understands and agrees that the notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that the notes offered outside the United States pursuant to Regulation S will also be represented by a global note;

4. it will not resell or otherwise transfer any of such notes except (a) to InRetail Shopping Malls or any of its subsidiaries, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 of Regulation S under the Securities Act, (d) pursuant to an exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States and other jurisdictions;

5. it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;

6. it acknowledges that prior to any proposed transfer of the notes (other than pursuant to an effective registration statement) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture including transfers pursuant to Rule 144A or Regulation S;

7. it acknowledges that the indenture trustee, registrar or transfer agent for the notes may not be required to accept for registration or transfer of any notes acquired by it, except upon presentation of evidence satisfactory to InRetail Shopping Malls that the restrictions set forth herein have been complied with;

8. it acknowledges that InRetail Shopping Malls, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify InRetail Shopping Malls and the initial purchasers; and

9. if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend that will appear on the face of the Restricted Global Note and that will be used to notify transferees of the foregoing restrictions on transfer. This legend will only be removed with InRetail Shopping Malls' consent.

> **"This note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees for the benefit of the issuer that this note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to the issuer, (2) so long as this note is eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act or (4) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this note, represents and agrees that it shall notify any purchaser of this note from it of the resale restrictions referred to above.**
>
> **This legend may be removed solely in the discretion and at the direction of the issuer."**

The following is the form of restrictive legend which will appear on the face of the Regulation S Global Note and which will be used to notify transferees of the foregoing restrictions on transfer:

> **"This note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees that neither this note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration, and in accordance with any applicable securities laws of any other applicable jurisdiction.**
>
> **This legend may be removed solely in the discretion and at the direction of the issuer."**

LEGAL MATTERS

The validity of the notes will be passed upon for us by Shearman & Sterling LLP, our U.S. counsel, and for the initial purchasers by Simpson Thacher & Bartlett LLP, U.S. counsel to the initial purchasers.

Certain matters of Peruvian law relating to the notes will be passed upon for us by Estudio Saco-Vertiz Abogados S.A.C., our Peruvian counsel, and for the initial purchasers by J&A Garrigues Peru S. Civil de R.L., Peruvian counsel to the initial purchasers. Certain matters of Panamanian law relating to the notes will be passed upon for us by Arias, Aleman & Mora, our Panamanian counsel.

INDEPENDENT AUDITORS

Our audited consolidated financial statements as of December 31, 2015, 2016 and 2017 included in this offering memorandum have been audited by Paredes, Burga & Asociados S.C.R.L., a member firm of Ernst & Young Global, our independent auditors as indicated in their report appearing herein.

LISTING AND GENERAL INFORMATION

1. The creation and issuance of the notes has been duly authorized by the resolutions of the Issuer's Administration Committee, dated March 13, 2018.

2. The guarantees of the notes and the indenture have been duly authorized by all of the Subsidiary Guarantors and InRetail RE, dated March 13, 2018.

3. Except as disclosed herein, there are no litigation or arbitration proceedings against or affecting us or the Issuer or any of our assets and we are not aware of any pending or threatened proceedings, which are or might reasonably be expected to be material in the context of the issuance of the notes.

4. Except as disclosed herein, there has been no adverse change, or any development reasonably likely to involve an adverse change, in our or the Issuer's condition (financial or otherwise) or general affairs since December 31, 2017 (the end the most recent fiscal year for which audited consolidated financial statements have been prepared) that is material in the context of the issuance of the notes.

5. For so long as any notes remain outstanding, copies of the indenture under which the notes will be issued may be inspected free of charge during normal business hours at the offices of the Luxembourg paying agent and our principal office, at the addresses listed on the inside back cover page of this offering memorandum.

6. For so long as any notes remain outstanding, copies of the following documents (together, where necessary, with English translations thereof) may be obtained free of charge during normal business hours at the offices of the Luxembourg paying agent and our principal office, at the addresses listed on the inside back cover page of this offering memorandum:

- this offering memorandum;
- our latest published annual audited year-end consolidated financial statements and quarterly unaudited consolidated financial statements;
- the Issuer's Trust Deed; and
- our by-laws.

7. Under Peruvian law, the Issuer is not required to issue financial statements, and will not issue separate financial statements.

8. The Issuers subsidiaries include: Interproperties Holding, Interproperties Holding II, Real Plaza, Interproperties Puerta del Sol, Inmobilaria Puerta del Sol, Inversiones Real State and LEC. The Issuer's non-guarantor subsidiaries represent 0% of EBITDA and Net Assets in the consolidated accounts.

9. The Issuer and we accept responsibility for the information contained in this offering memorandum. To the best of the Issuer and our knowledge, having taken all reasonable care to ensure that such is the case, the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

10. The corporate object as well as the principal activities of the Issuer is to operate in the shopping malls business.

11. InRetail RE was incorporated on April 26, 2012 in the Republic of Panama and was registered in the Panama Public Registry (*Registro Publico de Panama*) on May 1, 2012 under the number 2165225.

12. As of March 31, 2018, the share capital of InRetail RE was S/ 1,475,706,000. The share capital has been fully paid and there has been no change to the share capital since December 2017.

13. The net proceeds from the sale of the notes was approximately US$347.4 million, after deducting certain transaction expenses.

14. The notes have been accepted for clearance and settlement through DTC and its direct and indirect participants' accounts for Euroclear and Clearstream. The CUSIP, ISIN and Common Code numbers, as applicable, for the notes are as follows:

Restricted Global Note CUSIP: 45780U AB0	Regulation S Global Note CUSIP: P56243 AD3
Restricted Global Note ISIN: US45780UAB08	Regulation S Global Note ISIN: USP56243AD31
Restricted Global Note Common Code: 180410651	Regulation S Global Note Common Code: 180410678

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InRetail Real Estate Corp. and Subsidiaries

Consolidated financial statements as of December 31, 2017 and 2016, together with Independent Auditors' Report

Building a better working world

InRetail Real Estate Corp. and Subsidiaries

Consolidated financial statements as of December 31, 2017 and 2016, together with Independent Auditors' report

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Paredes, Burga & Asociados
Sociedad Civil de Responsabilidad Limitada

Independent Auditors' Report

To the Shareholders and Board of Directors of InRetail Real Estate Corp. and Subsidiaries

We have audited the accompanying consolidated financial statements of InRetail Real Estate Corp. and Subsidiaries (together "InRetail Real Estate"), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years ended December 31, 2017, 2016 and 2015, respectively, and a summary of significant accounting policies and other explanatory notes (notes 1 to 31).

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing approved for application in Peru by the Board of Peruvian Associations of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity and its Subsidiaries for the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate within the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity and its Subsidiaries internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Building a better working world

Independent Auditors' Report (continued)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of InRetail Real Estate Corp. and Subsidiaries as of December 31, 2017 and 2016, and their consolidated results of their operations and their consolidated cash flows for each of the three years in the periods ended December 31, 2017, 2016 and 2015, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Lima, Peru,
March 9, 2018

Countersigned by:

Paredes, Burga & Asociados

Manuel Díaz
C.P.C.C. Register No. 30296

InRetail Real Estate Corp. and Subsidiaries

Consolidated statements of financial position

As of December 31, 2017 and 2016

	Note	2017 S/(000)	2016 S/(000)
Asset			
Current asset			
Cash and cash equivalents	3.2(f) and 4	56,025	48,885
Investments at fair value through profit or loss	3.2(b) and 5	202,047	90,334
Investments at fair value through other comprehensive income	3.2(b) and 6	56,403	57,470
Trade accounts receivables, net	3.2(b) and 7	25,971	30,034
Accounts receivable from related parties	3.2(b) and 27(b)	52,341	46,146
Other receivables	3.2(b) and 8	22,866	18,439
Prepaid expenses	3.2(g) and 9	5,166	2,374
Recoverable taxes	3.2(k) and 10	10,045	19,275
Total current assets		430,864	312,957
Recoverable taxes	3.2(l) and 10	16,152	50,346
Facilities, furniture and equipment, net	3.2(h) and 11	9,192	10,576
Investment properties	3.2(i) and 12	3,202,400	3,105,461
Derivative financial instruments – "Call spread"	3.2(j) and 13	30,279	55,908
Other assets		3,992	2,814
Deferred Income tax asset	3.2(m) and 17(a)	1,521	1,106
Total asset		3,694,400	3,539,168

Consolidated statements of income

For the years ended December 31, 2017, 2016 and 2015

	Note	2017 S/(000)	2016 S/(000)	2015 S/(000)
Rental income	3.2(o) and 20	328,755	317,150	295,935
Income from management services	3.2(o) and 20	147,099	140,728	139,196
Cost related to income from management services	3.2(q) and 21	(112,177)	(109,053)	(106,528)
Net rental income		363,677	348,825	328,603
Cost of rental income	3.2(q) and 21	(44,693)	(34,001)	(28,023)
Gross profit		318,984	314,824	300,580
Valuation gains from investment properties	3.2(i) and 12(b)	11,424	11,056	37,569
Selling and administrative expenses	3.2(q) and 22	(36,367)	(32,609)	(33,015)
Other incomes (expenses), net	3.2(q) and 24	7,762	454	(3,789)
Operating profit		301,803	293,725	301,345
Financial income	3.2(o) and 25	7,783	6,251	4,352
Financial expenses	3.2(j), 3.2(p) and 25	(114,641)	(119,780)	(107,868)
Exchange difference, net	3.2(e) and 29(a)(ii)	7,997	3,878	(80,968)
Profit before income tax		202,942	184,074	116,861
Income tax	3.2(l) and 17(c)	(65,876)	(56,149)	(7,221)
Net income		137,066	127,925	109,640
Earnings per share:	3.2(t) and 19(d)			
Basic and diluted profit per share attributable to InRetail Real Estate Corp. shareholders		0.2412	0.2251	0.1919

The accompanying notes are an integral part of these consolidated financial statements.

InRetail Real Estate Corp. and Subsidiaries

Consolidated statements of comprehensive income

For the years ended December 31, 2017, 2016 and 2015

	Note	2017 S/(000)	2016 S/(000)	2015 S/(000)
Net income		137,066	127,925	109,640
Other comprehensive income				
Other comprehensive income to be reclassified to the consolidated income statements in subsequent periods:				
Net gain on investments at fair value through other comprehensive income	3.2(b) and 6	1,307	5,800	(2,163)
Net movement on cash flow hedges	3.2(s) and 13	14,077	14,693	(30,338)
Other comprehensive income to be reclassified to the consolidated income statements in subsequent periods, net of Income Tax		15,384	20,493	(32,501)
Total comprehensive income for the year, net of Income Tax		152,450	148,418	77,139
Attributable to:	3.2(a)			
InRetail Real Estate Corp. shareholders		152,450	148,418	76,556
Non-controlling interests		-	-	583
		152,450	148,418	77,139

The accompanying notes are an integral part of these consolidated financial statements.

InRetail Real Estate Corp. and Subsidiaries

Consolidated statements of changes in equity

For the years ended December 31, 2017, 2016 and 2015

			Attributable to ow	
	Number of shares issued Note 19 (in thousands of units)	**Capital stock** S/(000)	**Unrealized results** S/(000)	**Reta earn** S/(0
Balance as of January 1, 2015	568,201	1,475,706	330	26
Net income	-	-	-	10
Other comprehensive income, Note 19(b)	-	-	(32,501)	
Total comprehensive income	-	-	(32,501)	10
Yields prepayments to non-controlling interests, Note 19(c)	-	-	-	
Balance as of December 31, 2015	568,201	1,475,706	(32,171)	37
Net income	-	-	-	12
Other comprehensive income, Note 19(b)	-	-	20,493	
Total comprehensive income	-	-	20,493	12
Acquisition of non-controlling interest, Note 19(c)	-	-	-	(
Others	-	-	-	
Balance as of December 31, 2016	568,201	1,475,706	(11,678)	50
Net income	-	-	-	13
Other comprehensive income, Note 19(b)	-	-	15,384	
Total comprehensive income	-	-	15,384	13
Others	-	-	-	
Balance as of December 31, 2017	568,201	1,475,706	3,706	63

The accompanying notes are an integral part of these consolidated financial statements.

InRetail Real Estate Corp. and Subsidiaries

Consolidated statements of cash flows

For the years ended December 31, 2017 and 2016

	Note	2017 S/(000)	2016 S/(000)	2015 S/(000)
Operating activities				
Collections from ordinary activities		495,662	450,839	406,662
Payments to suppliers of goods and services		(133,531)	(121,880)	(139,608)
Payments to employees for salaries and social benefits		(28,879)	(30,678)	(31,985)
Taxes paid		(19,496)	(3,807)	(5,852)
Taxes recovered		32,261	54,158	69,052
Other payments		4,496	(2,089)	(237)
Net cash provided by operating activities		350,513	346,543	298,032
Investing activities				
Purchase of investments at fair value through profit or loss		(311,381)	(360,426)	(34,873)
Withdrawal of investments at fair value through profit or loss		199,668	304,988	-
Sale of investments at fair value through other comprehensive income		-	-	17,530
Purchase of investments at fair value through other comprehensive income		-	(30,773)	(49,488)
Purchase of investment properties		(86,475)	(137,151)	(161,381)
Sale of investment properties	12(b.1)	4,004	2,751	-
Value added tax payment corresponding to work in progress		(14,066)	(33,493)	(31,093)
Purchase of facilities, furniture and equipment, net of acquisitions through leasing contracts	11(a)	(1,370)	(1,107)	(5,173)
Purchase and development of intangible assets		(1,556)	(972)	(1,268)
Loans granted, net		(1,800)	1,915	37,315
Sale of share maintained in InRetail Properties Management S.R.L.		-	-	3,159
Net cash flows used in investing activities		(212,976)	(254,268)	(225,272)

Consolidated statements of cash flows (continued)

	Note	2017 S/(000)	2016 S/(000)	2015 S/(000)
Financing activities				
Increase of borrowings		-	-	99,200
Payment of borrowings		(43,210)	(44,826)	(9,721)
Sale of bonds issued in the portfolio		-	55,000	-
Prepayment of bonds issued		-	-	(146,715)
Interest paid		(87,187)	(90,568)	(80,042)
Acquisition of non-controlling interest	19(c)	-	(9,040)	-
Yields prepayments to non-controlling interests		-	-	(207)
Net cash flows used in financing activities		(130,397)	(89,434)	(137,485)
Net increase in cash and cash equivalents		7,140	2,841	(64,725)
Cash and cash equivalents at the beginning of the year	3.2(f) and 4(a)	48,885	46,044	110,769
Cash and cash equivalents at the end of the year		56,025	48,885	46,044
Non-cash transactions -				
Leasing contracts	11(e)	929	1,793	701
Provision for costs incurred in investment properties		-	4,452	9,422
Complaint write off		-	-	1,934
Purchase of investment property participation in "REX" in exchange for investments at fair value through other comprehensive income	6(c)	-	30,071	-

The accompanying notes are an integral part of these consolidated financial statements.

1. **Business activity -**

(a) Identification –

InRetail Real Estate Corp. (hereinafter "the Company"), a holding entity incorporated in April 2012 in the Republic of Panama, and is a subsidiary of InRetail Perú Corp. The latter is a subsidiary of Intercorp Retail Inc., which in turn is a subsidiary of Intercorp Peru Ltd. (a holding company incorporated in The Bahamas, hereinafter "Intercorp Perú"), which is the ultimate holding Company of the" Intercorp Perú Group" or the "Group", which refers to Intercorp Perú Ltd. and its Subsidiaries.

As of December 31, 2017 and 2016 Intercorp Perú holds directly and indirectly 70.17 and 70.16 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 and 74 Street, floor 16 "PH" Building, San Francisco, Republic of Panama. However, its Management and administrative offices are located at Av. Punta del Este 2403, Jesus Maria, 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 and subsidiary and Real Plaza 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.

In February 2016, the Company, through its subsidiary Interproperties Holding II, acquired the minority interest in Inmobiliaria Puerta del Sol, see Note 19(c).

The consolidated financial statements attached to and for the year ended December 31, 2016 have been approved by Management in February 2017. In Management's opinion, the accompanying financial statements will be approved by the Board of Directors and the General Shareholders' Meeting without modifications.

2. **Subsidiaries activities**

The Company's main Subsidiaries activities are the following:

(a) Patrimonio en Fideicomiso –D.S.N° 093-2002-EF- InRetail Shopping Malls is a special purpose entity ("SPE") formed for the purpose of holding the certificates of participation of Interproperties Holding and Interproperties Holding II and subsidiary. In addition it owns the 100 percent of shares of Real Plaza.

(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) are two special purpose entities ("SPEs") formed for the purpose of holding the certificates of participation of Patrimonio en Fideicomiso- D.S. N° 093-2002-EF Interproperties Perú (hereinafter "Interproperties Perú"), which is a trust fund formed for the purpose of holding the real estate assets of InRetail Real Estate and obtaining the necessary funding for developing investment plans.

Additionally, as of December 31, 2017 and 2016 Interproperties Holding II owns 100 percent of participation in the net assets of Patrimonio en Fideicomiso – D.S. N°093-2002-EF- Interproperties Puerta del Sol which is a special purpose entity formed to own the 100 percent of shares of Inmobiliaria Puerta del Sol S.A., which is a company which handles Real Plaza Cusco "San Antonio" Shopping Mall. During 2016, Interproperties Holding II acquired 5 percent of the non-controlling interest, see Note 19(c).

(c) Real Plaza S.R.L. (hereinafter "Real Plaza") -
An entity focused in operating the shopping malls (21 and 20 shopping malls as of December 31, 2017 and 2016, respectively) and maintaining and developing relationships with the tenants. Real Plaza operates under the name of "Real Plaza Shopping Mall".

As of December 31, 2017 and 2016 Real Plaza operated shopping malls in Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca, Huánuco, Cusco, Cajamarca and Lima.

A summary of the main data of the audited financial statements of the Company, its Subsidiaries and SPEs as of December 31, 2017 and 2016, and for the years then ended is presented below:

	As of December 31, 2017			
	Assets S/(000)	Liabilities S/(000)	Net Equity S/(000)	Profit (Loss) S/(000)
Company				
InRetail Real Estate Corp.	1,489,478	4	1,489,474	(61)
Real Plaza S.R.L.	48,236	40,864	7,372	3,764
Special purpose entities (SPEs)				
Patrimonio en Fideicomiso D.S.N°093-2002 – EF - Interproperties Holding	1,689,753	229,330	1,460,423	100,621
Patrimonio en Fideicomiso D.S. N°093-2002-EF-Interproperties Holding II (*)	1,742,704	258,345	1,484,359	100,289
Patrimonio en Fideicomiso – D.S. N°093-2002-EF- InRetail Shopping Malls	3,034,251	1,190,986	1,843,265	65,862

	As of December 31, 2016			
	Assets S/(000)	Liabilities S/(000)	Net Equity S/(000)	Profit (Loss) S/(000)
Company				
InRetail Real Estate Corp.	1,489,535	-	1,489,535	(74)
Real Plaza S.R.L.	50,731	47,131	3,600	185
Special purpose entities (SPEs)				
Patrimonio en Fideicomiso D.S.N°093-2002 – EF - Interproperties Holding	1,692,501	210,484	1,482,017	127,984
Patrimonio en Fideicomiso D.S. N°093-2002-EF-Interproperties Holding II (*)	1,668,911	220,286	1,448,625	74,147
Patrimonio en Fideicomiso – D.S. N°093-2002-EF- InRetail Shopping Malls	2,889,961	1,251,867	1,638,094	(71,957)

(*) Includes the assets, liabilities, net equity net and consolidated profit of its Subsidiary "Patrimonio en Fideicomiso – D.S. N° 093-2002-EF-Interproperties Puerta del Sol" which are described below:

	2017 S/(000)	2016 S/(000)
Assets	304,535	284,723
Liabilities	156,265	148,748
Net equity	148,270	135,975
Net profit	12,296	7,605

As of December 31, 2017 and 2016, this amount includes the eliminations between Inmobiliaria Puerta del Sol S.A. and Patrimonio en Fideicomiso – D.S. N° 093-2002-EF Interproperties Puerta del Sol.

3. Summary of significant accounting policies

The significant accounting policies used in the preparation and presentation of InRetail Real Estate's consolidated financial statements are described below:

3.1 Basis of preparation and presentation –

The consolidated financial statements of InRetail Real Estate Corp. have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), effective as of December 31, 2017 and 2016, respectively.

The information contained in these consolidated financial statements is responsibility of Management of the Company and its Subsidiaries, who expressly declare that they have fully applied the principles and criteria of IFRS issued by IASB that are effective at the dates of the consolidated financial statements.

The consolidated financial statements have been prepared on a historical cost basis, except for investments at fair value through profit or loss, investments at fair value through other comprehensive income, investment properties and derivative financial instruments – "Call spread", that have been measured at fair value. The consolidated financial statements are presented in Soles and all values are rounded to the nearest thousand (S/(000)), except when otherwise indicated.

The accounting policies adopted are consistent with the policies applied in previous years, except by the new IFRS and SIC´s adopted by InRetail Real Estate which are mandatory for the periods beginning during or after January 1, 2017. Also, during 2015, InRetail Real Estate decided to adopt in advance IFRS 9 "Financial Instruments" which is mandatory for the periods beginning on January 1, 2018. In relation to this, InRetail Real Estate used IFRS 9 (2014 version), which comprises modifications regarding the classification and measurement, impairment and hedging accounting of financial assets, as well as the new expected impairment loss model.

IFRS 9 introduces new requirements for classification and measurement of financial assets under the scope of IAS 39 "Financial Instruments: Recognition and measurement". Specifically, IFRS 9 demands that all financial assets be classified and subsequently measured at their amortized cost or at fair value under the business model of the entity for the management of financial assets and the characteristics of the contractual cash flows of financial assets. Debt instruments are measured at amortized cost if and only if: (i) the asset is maintained under the business model which objective is to maintain the assets to obtain contractual cash flows and (ii) the contractual terms of the financial asset give rise in specific dates to cash flows for payments of the principal and interests. If one of these criteria is not complied, the debt instruments are classified at the fair value through profit or loss. Otherwise, an entity might choose to designate upon initial recognition a debt instrument that complies with the criteria of amortized cost for measure it at fair value through profit or loss if this eliminates or reduce significantly an accounting mismatching.

On the other hand, IFRS 9 introduces changes in hedging accounting, which are mainly not to require a specific ratio for hedging effectiveness but instead a correlation with risk management of the entity. IFRS 9 also permits that derivatives time value which are designated as hedging accounting be amortized on a straight line basis during the period of the respective contracts; see note 3.2 (r).

The information contained in the consolidated financial statements is the responsibility of InRetail Real Estate's Corporate Management, who explicitly manifest that the principles and criteria included in International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) are fully applied as of the date of consolidated financial statements.

3.2. Summary of significant accounting policies –

(a) Basis of consolidation -

The consolidated financial statements comprise the financial statements of the Company and its Subsidiaries, Note 2, as of December 31, 2017 and 2016.

Control is achieved when the Group is exposed to or has rights over, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, it has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure to or rights over, variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

InRetail Real Estate reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the Subsidiary.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which InRetail Real Estate obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The non-controlling interests have been determined in proportion to the participation of minority shareholders in the net equity and the results of the Subsidiaries in which they hold shares, and they are presented separately in the consolidated statement of financial position, the consolidated income statement and the consolidated statement of comprehensive income.

Losses in a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

(b) Financial instruments–initial recognition and subsequent measurement –
As of the date of consolidated financial statements, InRetail Real Estate classifies its financial instruments in the following categories defined on IFRS 9 (2014 version): (i) assets at amortized cost, at fair value through other comprehensive income or profit or loss, (ii) financial liabilities at amortized cost or at fair value through profit or loss.

(i) Financial assets -
InRetail Real Estate, considering its operations, has as unique business model to maintain financial assets with the purpose to obtain contractual cash flows. The contractual conditions of the financial asset give rise to cash flows in specific dates which are uniquely payments of principal and interests over the main outstanding principal; in consequence, InRetail Real Estate measures its financial assets at the amortized cost and fair value.

InRetail Real Estate maintains in this category: Cash and cash equivalents, investments at fair value through profit or loss and other comprehensive income, trade receivables, other receivables and accounts receivable to related parties, which are expressed at the value of the transaction, less the provision for doubtful, accounts when it is applicable.

(ii) Impairment of financial assets -
According IFRS 9, financial assets impairment is based on expected loss impairment model, which is applicable to financial assets measured at amortized cost (which includes loans, accounts receivables or debt instruments), or measured at fair value through other comprehensive income. For measurement of expected losses, it must reflect the result of weighted average probability of losses, money time value and the use of supportive reasonable information. In respect of this, IFRS 9 manages major criteria to estimate losses, it requires specifically that expected losses are based on supportive reasonable information, that can be

obtained without a major cost or effort and as such includes historical information of current conditions as well as estimated information about the future.

For in the case of accounts receivable or contracts that do not include a significant financial component, IFRS 9 contemplates a simplified approach for expected losses which do not require controlling changes in credit risk, recognizing the expected loss during the term of the instrument. Taking into account the nature of the financial assets of InRetail Real Estate, it uses such simplified approach and estimates the expected losses during the term of the instrument based on the present value of all the deficiencies of the cash flows over the remaining life of the financial instrument. The expected losses of 12 months are a portion of the expected loss over the term of the instrument, which is associated with the probability of default event, occurring within the 12 subsequent months as of the reporting date. The model is about expected losses, consequently, is an estimate of what might happen in the future; however, the historical information is the main basis upon which InRetail Real Estate performs these estimations, which are adjusted with the information available at the date of the analysis and conditions expected for the future, as far these are supported.

(iii) Financial liabilities-

The financial liabilities are recognized when InRetail Real Estate becomes party to the contractual agreements of the instrument. Initially, financial liabilities are recognized at fair value through profit or loss. In the case of financial liabilities carried at amortized cost, the direct costs attributable to the transaction are included.

The financial liabilities include: trade accounts payable, accounts payable to related parties, other liabilities and Interest-bearing financial obligations.

Upon initial recognition, financial liabilities are measured at amortized cost using the interest effective rate method. The amortized cost is calculated considering any discount or premium during the issuance and costs are integral part of the interest effective rate.

(c) Derecognition of financial assets and liabilities -

Financial assets:

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when: (i) the rights to receive cash flows from the asset have expired; or (ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and (iii) either the Company has transferred substantially all the risks and rewards of the asset, or the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities:
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and a new liability is recognized, with the difference between the carrying amount of the original financial liability and the consideration paid recognized in the consolidated income statements.

(d) Offsetting of financial instruments -
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

(e) Foreign currency transactions -

(i) Functional and presentation currency -
The functional currency for InRetail Real Estate is determined by the currency of the primary economic environment in which it operates. For InRetail Real Estate, it is the Sol. The financial information is presented in Soles, which is the functional currency of InRetail Real Estate because it reflects the nature of the economic events and the relevant circumstances for InRetail Real Estate.

(ii) Transactions and balances in foreign currency -
Foreign currency transactions are those that have been performed in currencies different that the functional currency. Transactions in foreign currency are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currency are retranslated at the functional currency using the prevailing exchange rate at the date of the consolidated statements of financial position. Exchange gains or losses resulting from the settlement of said transactions and from restating the monetary assets and liabilities denominated in foreign currency into the exchange rates prevailing at the end of the year are recognized in the "Exchange difference, net" caption of the consolidated statements of income.

Non-monetary assets and liabilities denominated in foreign currency and accounted at historic cost are translated into the functional currency at the exchange rate prevailing at the date of the transaction.

(f) Cash and cash equivalents –
For the purposes of the consolidated statements of cash flows, cash and cash equivalents correspond to cash, current accounts and bank deposits with a maturity of less than three months, recorded in the consolidated statements of financial position. Said accounts are not subject to a significant risk of changes in their value.

(g) Prepaid expenses -

The criteria adopted to record these items are the following:

- Operating lease payments made in advance are recorded as an asset and recognized as an expense over the rental period.
- The key money corresponding to the amounts paid by InRetail Real Estate for the rights for use of certain commercial stores are amortized during the term of the respective contracts.
- Insurance are recorded as the value of the premium paid for the coverage of the different assets and are amortized by applying the straight line method during the term of the policies.
- Payments in advance for advertising are recorded as an asset and are recognized as expenses when the service is accrued.

(h) Facilities, furniture and equipment –

Facilities, furniture and equipment are recorded at historical acquisition cost, less accumulated depreciation and impairment losses, if applicable.

The historical acquisition cost includes the expenditures that are directly attributable to the acquired of assets. The costs of maintenance and repair are charged to the consolidated statements of income, significant renewals and improvements are capitalized when it is probable future economic benefits, in excess the originally assessed of performance, will flow the use of the acquired assets.

Regarding the significant components of facilities, furniture and equipment that must be replaced periodically, InRetail Real Estate derecognizes the replaced component and recognizes the new component with its corresponding useful life and depreciation. Likewise, when an overhaul of significant importance is carried out, its cost is recognized as replacement provided that the requisites for its recognition are complied with. All the routine costs of repair and maintenance are recognized as expenses in the consolidated statements of income as they are incurred.

Depreciation is calculated by applying the straight line method using the following useful lives:

	Years
Facilities	Between 4 and 10
Furniture and fixtures	Between 2 and 10
Transport units	5
Miscellaneous equipment	Between 3 and 10
Computer equipment	4

When the assets are sold or disposed, the cost and the accumulated depreciation are eliminated, and any gain or loss from their disposal is included in the consolidated statements of income.

(i) Investment properties –

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

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

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

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

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

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

The Company and its Subsidiaries' management deem that the book value of properties under construction does not exceed their recoverable value.

(j) Leases -

The determination of whether an agreement is, or contains, a lease is based on the agreement's essence at the date of its subscription, or if its compliance depends on the use of one or more specific assets, or if it grants the asset's right of use, even if said right is not specified explicitly by the agreement.

InRetail Real Estate as lessee

Finance leases which transfer to InRetail Real Estate substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that InRetail Real Estate will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the consolidated income statement on a straight-line basis over the lease term.

InRetail Real Estate as a lessor

Leases in which InRetail Real Estate does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(k) Impairment of non-financial assets –

InRetail Real Estate, assesses at each end of year, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, InRetail Real Estate estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate any cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable value, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available.

If no such transactions can be identified, an appropriate valuation model is used. In determining fair value less costs of disposal, recent market transactions are taken into account, if any. If no such transactions can be identified, an appropriate valuation model is used.

InRetail Real Estate bases its impairment calculation, if needed, on detailed budgets and forecast calculations which are prepared separately for each of InRetail Real Estate's cash generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

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

(l) Taxes –

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

Current Income Tax -

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

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

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

Deferred Income Tax -

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

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

- When a deferred tax liability arises from the initial recognition of goodwill, or of an asset or a liability in a transaction that does not constitute a business combination and that, at the moment of the transaction, does not affect accounting nontaxable profit.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of their reversion can be controlled, and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

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

- When the Value Added Tax incurred in an asset acquisition or in the rendering of services is not recoverable with the Tax Authority, in which case said tax is recognized as part of the acquisition cost of the asset or as part of the expense, as applicable.

- The accounts receivable and accounts payable that are already expressed, including the amount of the Value Added Tax.

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

(m) Provisions -
Provisions are recognized when InRetail Real Estate has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where InRetail Real Estate expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the consolidated income statement.

(n) Contingencies -
A contingent liability is disclosed when the existence of an obligation shall only be confirmed by future events or when the amount of the obligation cannot be measured with sufficient reliability. Contingent assets are not recognized but are nonetheless disclosed when it is probable that it will generate economic benefits to InRetail Real Estate.

Given their nature, contingencies shall only be settled when one or more future events occur or not. The determination of contingencies involves inherently the exercise of judgment and the calculation of estimates on the results of future events.

(o) Revenue recognition –

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

- Rental income

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

- Key money

  The incentives granted by the tenants to enter into lease agreements (key money) are distributed evenly on the term of the lease, even if payments are not made on that basis. The term deferral incentives corresponds to the period unearned lease, along with any other period for which the lessee has the option to extend the lease, and InRetail Real Estate's Management have certainty that it will exercise. These amounts are presented in the caption "Deferred income" of the consolidated financial statement.

  The amounts received from tenants to terminate leases or to compensate for wear are recognized in the consolidated statement of income when they arise.

- Income arising from expenses recharged to tenants is recognized in the period in which the compensation becomes receivable. Service and management charges and other such receipts are included in Net rental income gross of the related costs, as the directors consider that InRetail Real Estate acts as principal in this respect.

- Interest income: For all financial instruments measured at amortized cost and interest bearing financial assets classified as investments at fair value through other comprehensive income, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the consolidated income statement.

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

(p) Borrowing costs -
Borrowing costs are recorded as expenses in the period they occur. Borrowing costs consist of interest and other costs that InRetail Real Estate incurs in connection with the borrowing of funds.

(q) Recognition of costs and expenses –
Service cost is recognized in a simultaneous manner to the recognition of the income from the corresponding service provided.

Rentals paid in advance for landlord leases are recognized in results according to an accrual basis, in the "Cost of rental income" caption, from the conclusion of the works of the shopping mall project to a term that ranges between 30 and 36 months.

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

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

Loan costs include interests and other costs that InRetail Real Estate incurs in relation to the execution of the respective loan agreements.

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

(r) Derivative financial instruments and hedging accounting –
Negotiation –
Derivatives financial instruments for negotiation are initially recognized in the consolidated statements of financial position at cost and subsequently are recognized at fair value. The fair value is obtained based on the prices, exchange rates, and market interest rates. All the derivatives are considered as assets when the fair value is positive and as liabilities when the fair value is negative. The profits and losses arisen by the changes in the fair value are recognized in consolidated income statement.

As of December 31, 2017 and 2016, InRetail Real Estate does not maintain derivatives financial instruments classified as negotiation.

Hedging -
InRetail Real Estate uses derivatives instruments in order to manage its exposure to the fluctuation of the interest rates and exchange rates. With the purpose of managing particular risks, InRetail Real Estate applies hedging accounting for transactions that imply with specific criteria for it.

At the beginning of the hedging relation, InRetail Real Estate documents formally the relation between the covered part and the hedging instrument; including the nature of the risk, the objective and the strategy to take over the hedge, and the method used to evaluate the effectiveness of the hedging relation.

Also at the beginning of the hedging relation, a formal evaluation is made in order to ensure that the hedging instrument is highly effective in compensation to the risk assigned of the covered part. Hedging is formally evaluated in every reporting period. A hedge is considered highly effective if it is expected that changes in the fair value or in cash flows, attributed to the covered risk during the period in which the hedge is designed, complies certain management ratios defined by Management.

The accounting treatment established according to the nature of the covered part and compliance with hedging criteria, is such as follows:

(i) Cash flow hedges -

InRetail Real Estate enters into cash flow hedging contracts for exchange rate risk and interest rate risks. The ineffective portion related to the exchange rate and interest rate contracts are recognized as financial cost.

The effective portion of these hedging is recognized in other comprehensive income and then the covered part is transferred when this affects to profit or loss (exchange rate and interest rate).

The money time value of an option at the beginning of the hedging does not belong to itself, and is recognized in profit or loss on a straight line basis over its term, thus is considered as a financial cost of the option. The change at fair value of an option that covers a covered part related with money time value of the option will be recognized in other comprehensive income.

If there is no expectation of the outcome of the expected transaction or the firm commitment, the accumulated profit or loss in the hedging cash flow reserve is transferred to the consolidated comprehensive income. If the hedging instrument expires, is sold, settled or exercised without a replacement or renewal, or if its designation as hedging has been revoked, any accumulated unrealized profit or loss in cash flow hedging reserve is maintained in such reserve, until the expected transaction or firm commitment affects results.

(s) Fair value measurement -

InRetail Real Estate measures its investment properties at fair value at each date of the consolidated statements of financial position. Also, the fair value of financial instruments measured at amortized cost is disclosed in Note 30.

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

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

The principal or the most advantageous market must be accessible by InRetail Real Estate. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

InRetail Real Estate uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, InRetail Real Estate determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Management determines the policies and procedures for both recurring and non-recurring fair value measurement. At each reporting date, the Valuation Committee analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per InRetail Real Estate accounting policies.

For the purpose of fair value disclosures, InRetail Real Estate has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

(t) Earnings per share -

Basic and diluted earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. As of December 31, 2017 and 2016, the Company does not have financial instruments with dilutive effect, therefore basic and diluted earnings per share are identical for the years reported.

(u) Business segments –
A reportable business segment is an operating segment or an aggregate of operating segments that meet certain specific criteria. Business segments are a component of an entity on which the financial information is separately available and is periodically assessed by the Chief Operating Decision Maker (henceforth "CODM") on how to assign the resources and assess its performance. Generally, the financial information is presented on the same basis that is used internally to assess the operating performance of business segments and to decide how to assign resources to them. InRetail Real Estate has two business segments located in Lima and provinces related to Shopping Malls.

(v) Subsequent events –
The subsequent events at the end of the period that provide additional information about the financial situation of InRetail Real Estate at the date of the consolidated statements of financial situation (adjustment events) are included in the consolidated financial statements. The significant subsequent events that are not adjustment events are presented in the notes to the consolidated financial statements.

(w) Financial statements as of December 31, 2016
When necessary, the amounts of the previous year have been reclassified to make them comparable with the presentation of the current year. Management considers that the reclassifications made in the company financial statements as of December 31, 2016 are not significant taking into consideration the financial statements as a whole.

3.3 Significant accounting judgments, estimations and assumptions

The preparation of the consolidated financial statements requires Management to make judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the income and expenses amounts for the years ended on December 31, 2017 and 2016.

In opinion of Management of InRetail Real Estate, these judgments, estimations and assumptions have been made on the basis of its best knowledge of relevant events and circumstances at the preparation date of the consolidated financial statements. However, the final results could differ from the estimations included in the consolidated financial statements. Management does not expect that these changes, if any, have a significant effect on the consolidated financial statements.

In the process of application of the accounting policies of InRetail Real Estate, Management made the following judgments, which had a significant effect on the amounts recognized in the consolidated financial statements:

(i) Operating lease contracts –InRetail Real Estate as lessor (Note 3.2(j))
InRetail Real Estate has entered into commercial leases of its investment property portfolio. InRetail Real Estate has determined, on the basis of an assessment of the terms and conditions of the agreements, that it has retained all the significant risks and benefits

inherent in the ownership of these assets and, consequently, has accounted these contracts as operating leases.

(ii) Taxes (Note 3.2(l) and 26)
The originators of the equity trusts of InRetail Real Estate are subject to the withholding of their Income Tax. Significant judgments are required to determine the provision for current and deferred Income Tax.

Diverse transactions and calculations exist for which the tax determination and the payment date are uncertain. In particular, in the calculation of the deferred taxes, the effective rate of taxes applicable to the temporary differences, mainly in the investment properties, depends on the method by which the carrying value of the assets or liabilities will be realized.

InRetail Real Estate recognizes current tax liabilities on the basis of the estimation that whether the additional taxes will be paid. When the final result of these matters is different from the amounts that have been initially recorded, said differences will impact net income and the provisions for deferred taxes in the period in which they are determined. The deferred tax assets and liabilities are recognized net, to the extent that they are related to the same fiscal authority and mature in approximately the same period.

The most significant estimations and assumptions considered by Management in relation to the consolidated financial statements are the following:

(i) Method of depreciation, useful lives and residual values of facilities, furniture and equipment (Note 3.2(h)) –
The determination of the method of depreciation, useful lives and residual values of facilities, furniture and equipment, involves judgments and assumptions that could be affected if circumstances change. Management reviews these assumptions periodically and adjusts them prospectively if any change is identified.

(ii) Fair value of investment properties (Note 3.2(i))
The fair value of all the finished investment properties has been determined by Management of InRetail Real Estate by using the discounted cash flow method.

For investment properties under construction, the value of land is determined by appraisals performed by an accredited, independent and external appraiser; and work-in-progress at cost. Nevertheless, when the progress in the construction of the shopping mall is significant, fair value is determined by using the discounted cash flow method. In exceptional cases, when the fair value cannot be determined in a trustworthy manner, these investments are recorded at cost. Up to month eighteen, the investment properties held to operate in the future are measured at cost, after that, their fair value is determined by appraisal.

The determination of the fair value of the investment properties requires the use of estimations such as the future cash flows of the assets (for example: leases, sales, fixed rents for the different types of tenants, variable rental in function to a percentage of the sales, operating costs, building costs (hereinafter "CAPEX"), maintenance CAPEX and discount rates applicable to the assets). Additionally, the development risks (such as construction and abandonment) are also taken into account when determining the fair value of the investment properties under construction.

The market value of investment properties in the consolidated statements of financial position must reflect the volatile nature of the real estate markets; therefore, Management and its appraisers use their market knowledge and professional criteria, and do not depend solely on historical comparable transactions. In this sense, there is a greater degree of uncertainty than when exists in a more active market, for the estimation of the market value of investment properties.

The significant methods and assumptions used in the estimation of the fair value of investment properties are detailed in Note 12(e).

Techniques used in the valuation of investment properties -
The discounted cash flow method involves the projection of a series of periodic cash flows of either a property or a property in development. For this series of projected cash flows, a discount rate is applied to obtain the present value of the income flow associated to the property. The periodic calculation of the cash flows is normally determined as rental income net of operating expenses for functioning investment properties, and in the case of investment properties under construction whose progress is significant, it is determined on the basis of the rents by square meter included in the contracts subscribed at that date. When the construction is realized in own property lands the cash flows considered unlimited life of assets; however when the construction is realized in surface or usufructs rights properties, the cash flows considered the period of the contract. The series of periodic net operating income, together with an estimation of the terminal value (which uses the traditional valuation method) at the end of the projection period, is discounted at present value. The sum of the net current values is equal to the property's fair value.

(iii) Impairment of non-financial assets (Note 3.2(k))
At the end of each year, InRetail Real Estate assesses whether any indications that the value of its assets are impaired. If such indications exist, InRetail Real Estate performs an estimation of the recoverable amount of the asset.

As of the date of the consolidated financial statements, the available projections of these variables show trends favorable to the interests of InRetail Real Estate, which support the recovery of its non-financial assets which are facilities furniture and equipment.

(iv) Recovery of deferred tax assets (Note 3.2(l))
Deferred tax assets require Management to evaluate the probability that InRetail Real Estate generates taxable income for future periods in order to use the deferred tax assets. The estimates of future taxable income are based on the projections of cash flows from operations and the application of the tax legislation in force. As the future cash flows and the taxable income differ significantly from the estimates, it might have an impact on the capability of InRetail Real Estate to realize the net deferred tax assets recorded at the reporting date.

Additionally, future changes in tax legislation might limit the capability of InRetail Real Estate to obtain tax deductions in future periods. Any difference between the estimations and the later actual payments is recorded in the year in which it occurs.

(v) Fair value measurement of derivative financial instruments (Note 3.2(r) and 12)
When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 30 for further disclosures.

(vi) Taxes estimation (Note 26)
Uncertainties exist with regard to the interpretation of complex tax regulations, to changes in tax legislation and to the amount and the opportunity in which the future tax result is generated. InRetail Real Estate calculates provisions, on the basis of reasonable estimations, for the possible consequences derived from the examinations performed by the Tax Authority. The amount of these provisions is based on several factors, such as the experience in previous tax examinations and in the different interpretations on tax regulations made by InRetail Real Estate and its legal advisors. These interpretation differences can arise in a great variety of matters, depending on the circumstances and existing conditions in the place of domicile of InRetail Real Estate.

Due to InRetail Real Estate considers as remote the probability of litigations of tax nature and subsequent payments as result; it has not recognized any contingent liability related to taxes.

In the Management's opinion, these judgments, estimations and assumptions were performed on the basis of its best knowledge of the relevant facts and circumstances at the date of preparation of the consolidated financial statements; nevertheless, the final results could differ from the estimations included in the consolidated financial statements. Management does not expect that the changes, provided they occur, will have a significant effect on the consolidated financial statements.

3.4 **New accounting standards**

The standards and amendments and improvements to the standards that are issued, but not yet effective, up to the date of issuance of InRetail Real Estate's consolidated financial statements are disclosed below. InRetail Real Estate intends to adopt these standards and amendments and improvements to the standards, if applicable, when they become effective.

- IFRS 16 "Leases", effective for annual periods beginning on or after January 1, 2019. Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures ", which effective application date is not defined.

  Amendments to IAS 2 "Share-based Payment: Classification and measurement of share-payment transactions", effective for annual periods beginning on or after January 1, 2018.

- IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

  This new standard repeals all the previous standards related to the recognition of income; including IAS 18 "Revenue from ordinary activities" and IAS 11 "Construction contracts". The Company and its Subsidiaries plan to adopt the new standard on the required application date using the modified retroactive method.

  During 2017, the Company and its Subsidiaries initiated a qualitative evaluation of IFRS 15 and is currently evaluating the quantitative impacts of the adoption of this standard.

  The revenues of the Company and its Subsidiaries correspond mainly to rentals and administration services, which are transferred to customers over time during the term of the contracts. For these concepts, lease agreements that integrate both types of income are signed.

  Considering this framework, the analysis of the impacts of IFRS 15 to date, by type of income is as follows:

  (a) Rentals –
  Revenues from lease agreements are within the scope of IAS 17 Leases, however these contracts have components within the scope of IFRS 15, such as the advantageous renewal option, also called key money, and advertising services. In order to distribute the consideration of the contract between the aforementioned components, the methodology of IFRS 15 is used.

For the key money, considering that this concept is currently recognized within the term of the contract and it is not expected that such term will have a significant variation in the evaluation of the average term of tenants' stay, the quantitative impact is expected to be not significant.

Likewise, revenue from advertising services will continue to be recognized throughout the contracts, given that customers receive and consume simultaneously the benefits provided. In consequence, the quantitative impact is expected to be not significant.

Also, in accordance with the model of IFRS 15, the other relevant aspect for the Company and its Subsidiaries is the determination of the sale price. In this sense, the following evaluation has been made:

(i) Variable considerations
Contracts with clients establish penalties for breach of contractual conditions. Currently, the amount of these items is recognized as an expense in the consolidated statement of income in the period in which the event causing the penalty occurs.

In accordance with IFRS 15, these concepts correspond to variable considerations that must affect the determination of the sale price and sales income, so they have to be estimated at the beginning of the contract and subsequently updated. In that sense, IFRS 15 establishes that income will only be recognized if it can be demonstrated that there will be no significant reversals of income when estimating variable considerations.

The Company and its Subsidiaries believe that the application of the above-mentioned criteria for the recognition of variable considerations will not have an significant effect in determining the net result, considering that they expect that the amount to be estimated for this concept will not be significant.

(b) Administration services -
The Company and its Subsidiaries provide administrative services, which comprises income for common expenses, energy, water, promotion fund and advertising and parking. These services are offered together with the rent to the client, specifying the value of each concept separately. Currently, the Company and its Subsidiaries maintain revenue from administrative services as separate obligations and assign a sale value to them, according to the rates of each contract. Income recognition occurs over time, as the Company and its Subsidiaries provide management services, since customers receive and simultaneously consume the benefits provided. In consequence, the quantitative impact is expected to be not significant.

(c) Presentation and information requirements –
IFRS 15 includes filing and information requirements that are more detailed than those established by the current standards. The filing requirements represent a change with respect to current practice and will increase the volume of disclosures required in the consolidated financial statements. Many of the information requirements in IFRS 15 are new, but have no effect on the consolidated results and operations. In particular, the Company and its Subsidiaries expect that the notes to the financial statements will be extended by the breakdowns corresponding to the significant judgments made to determine the transaction price of those contracts that include a variable consideration, the allocation of transaction prices to the different performance obligations and the assumptions used to estimate independent sales prices.

(d) Other adjustments –
The recognition and measurement requirements of IFRS 15 are also applicable for the recognition and valuation of any gain or loss on the derecognition of non-financial assets (such as tangible and intangible assets), when that decrease is not in the ordinary course of business. Given the nature of the operations, the transition effect for these concepts is expected to be not significant.

4. Cash and cash equivalent

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

	2017 S/(000)	2016 S/(000)
Cash and petty cash	31	32
Current accounts (b)	30,512	6,834
Time deposits (c)	22,846	38,538
Management and security trust current accounts (d)	2,636	3,481
	56,025	48,885

(b) The current accounts comprise accounts in Soles and US Dollars, maintained in local financial institutions, freely available, and do not bear interest rate.

(c) As of December 31, 2017, time deposits are unrestricted, maintained in Soles and US Dollars in local financial institutions, have maturities of up to one month from its inception and bear annual interests between 0.03 and 4.50 percent in Soles and between 0.95 and 1.53 in US Dollars (between 4.10 and 4.60 percent in Soles and 0.30 in US Dollars as of December 31, 2016).

(d) As of December 31, 2017 and 2016, corresponds to the bank accounts, which serve as means of payment of the guaranteed obligations with regard to the leasing granted by Banco de Credito del Peru S.A in favor of Interproperties Holding II, in compliance with the contract of management and security trust, see Note 16(c), (d) y (e).

5. **Investments at fair value through profit or loss**

Management of InRetail Real Estate has decided to invest its cash surplus in mutual funds of variable rent, which have been designated as financial assets at fair value through profit or loss. The composition of the caption is presented as follows:

Entity	Number of shares	Quote (in Soles)	2017	2016
			S/(000)	S/(000)
Investment funds managed by Sura S.A. SAF				
Soles -				
Sura Ultra Cash Soles FMIV (i)	542,193	126.39	68,530	39,397
Sura Corto Plazo Soles FMIV (ii)	457,208	146.35	66,911	8,426
US Dollars -				
Sura Ultra Cash Dólares FMIV (iii)	23,642	338.86	8,011	21,667
Sura Corto Cash Dólares FMIV (iv)	101,331	370.23	37,516	-
Investment funds managed by Interfondos S.A. SAF				
Soles -				
IF libre disponibilidad FMIV (v)	46,261	109.89	5,084	-
US Dollars -				
IF libre disponibilidad FMIV (vi)	28,701	331.24	9,507	20,844
IF Cash FMIV (vii)	27,381	236.95	6,488	-
			202,047	90,334

(i) Investment fund is composed of nine contributions, opened on February 1, August 24, August 31, September 29, October 30, November 23, November 24, November 30 and December 28, 2017, for S/1,300,0000 , S/37,000,000, S/18,100,000,S/3,200,000 S/2,890,000, S/1,800,000 S/6,000,000, S/2,790,000, S/9,000,000 withdrawal on September 15, October 11, December 15, 2017 January 31, 2017. The investment fund held as of December 31, 2016 was redeemed in February 2017.

(ii) Investment fund is composed of fourteen contributions, opened on May 4, June 15, June 30, July 10, 21, 26, August 9,24, September 8,29,30, October 31, November 23,24, 2017 for S/6,100,000, S/5,000,000, S/ 9,100,000, S/2'100,000, S/1'200,000, S/ 2'900,000, S/ 9'800,000, S/ 2'700,000, S/7,000,000, S/7,000,000, S/3,000,000, S/1,800,000, S/6,915,000 y S/4,600,000, withdrawal on December 21, 27, 2017. The investment fund held as of December 31, 2016 was redeemed in February 2017.

(iii) Investment fund is composed of two contributions, opened on July 31, July 14 and Nov 2017, for US$1,700,000, US$550,000, US$450,000 (equivalent to S/5,523,000, 1,788,600 and 1.458,000), withdrawal on February 28, 2018. The investment fund held as of December 31, 2016 was redeemed in January 2017.

(iv) Investment fund is composed of ten contributions, opened on July 7, 21, 26, August 24, September 29, and November 23, 24, 30, 2017, for US$800,000, US$1,850,000, US$700,000, US$1,650,000, US$700,000, US$2,000,000, US$986,000, US$450,000, US$1,040,000 and US$1,350,000 (equivalent to S/2,590,000, S/6,003,000, S/2,267,000, S/5,343,000, S/2,272,000, S/6,476,000, S/3,193,000, S/1,457,000, S/3,368,000 and S/4,381,000), withdrawal on January 31, 2018. The investment fund held as of December 31, 2017 was redeemed in January 2017.

(v) Investment fund is composed of three contributions, opened on January 30, February 28 and November 30, 2017, for a US$400,000, US$2,000,000 y US$500,000 (equivalent to S S/1,295,000, S/6,490,000 and S/1,623,000), withdrawal on February 28, 2018. The investment fund held as of December 31, 2016 was redeemed in January 2017.

These funds are conformed by a portfolio of variable rent commercial papers issued by prestigious financial entities in local market. In Management's opinion; they are highly liquid and they have low risk.

As of December 31, 2017, 2016 and 2015, the amount of financial investments at fair value through profit or loss includes the effect of the change in share value and the effect of higher exchange rate fluctuation at year end generating profits for approximately S/1,437,000, S/342,000 and S/99,000 respectively, which are presented in the caption "Financial income" in the consolidated statement of income, see Note 25.

6. Investments at fair value through other comprehensive income

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

	Fair value	
	2017 S/(000)	**2016** S/(000)
Shares (b)	34,804	35,862
Bonds (c)	21,599	21,608
	56,403	57,470

(b) As of December 31, 2017 and 2016 corresponds to 510,729 and 550,729 shares issued by Inretail Peru Corp, respectively. (Parent of the company, see Note 1 (a)), which represent approximately 0.54 percent of the parent's capital stock. As of December 31, 2017 and 2016, the fair value of these shares has been determined on the basis of prices quoted on the active market. In this sense, the stock market value per share, according to the information published by the Lima Stock Exchange, is US$21.00 (approximately S/68.15) in 2017 and US$19.38 (approximately S/65.12) in 2016 and since their acquisition. As of December 31, 2017 and 2016 these instruments have generated an unrealized gain of approximately S/809,000 and S/3,562,000, respectively, net of taxes related to Special Purpose Entities, which is included into the caption "Unrealized results" in the consolidated statements of changes in equity.

(c) As of December 31, 2017 and 2016, corresponds to bonds issued by Intercorp Ltd., which are denominated in US Dollars, have a maturity in 2025, accrue effective annual interests at a rate of 5.785 percent, which are recorded at fair value for approximately S/21,599,000 and S/21,608,000, respectively. As of December 31, 2017 and 2016, these instruments have generated an unrealized loss for approximately S/498,000 and S/2,238,000, respectively, net of taxes related to Special Purpose Entities, which is included into the caption "Unrealized results" in the consolidated statements of changes in equity.

During 2016, InRetail Shopping Malls barter at market values 8,412,000 Intercorp Ltd. bonds units for approximately US$8,883,701, equivalent to S/30,071,329 in exchange for an additional participation on "Rex land" investment property, to Intercorp Retail Inc. (see note 12), realizing a gain on the sale for approximately S/1,155,000, which is presented into the caption "Financial income" in the consolidated statement of income, see Note 25.

7. Trade accounts receivables, net

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

	2017 S/(000)	2016 S/(000)
Bills receivable (b)	16,459	17,161
Unbilled services (c)	13,561	16,562
Receivable bills of exchange (b)	1,972	1,478
	31,992	35,201
Minus -		
Allowance for doubtful accounts (e)	(6,021)	(5,167)
	25,971	30,034

(b) As of December 31, 2017 and 2016, trade accounts receivable mainly correspond to bills and bills of exchange pending of receivable for rentals, are denominated in Soles and US Dollars, have current maturities and do not accrue interests.

(c) As of December 31, 2017 and 2016, mainly correspond to unbilled lease services for variable and fixed rents, which are billed during the following quarter.

(d) As of December 31, 2017 and 2016, the aging analysis of trade receivables is as follows:

	2017		
	Non-impaired S/(000)	Impaired S/(000)	Total S/(000)
Unbilled services	13,561	-	13,561
Past-due			
From 1 to 90 days	11,550	-	11,550
From 91 to 120 days	317	113	430
From 121 to 180 days	367	240	607
From 181 to 270 days	102	376	478
More than 271 days	74	5,292	5,366
	25,971	6,021	31,992

	2016		
	Non-impaired S/(000)	Impaired S/(000)	Total S/(000)
Unbilled services	16,562	-	16,562
Past-due			
From 1 to 90 days	11,971	-	11,971
From 91 to 120 days	336	116	452
From 121 to 180 days	176	274	450
From 181 to 270 days	32	328	360
More than 271 days	957	4,449	5,406
	30,034	5,167	35,201

Past-due trade receivables mainly correspond to tenants who hold current contracts as of the date of this report and are operating in the shopping malls. Likewise, past-due accounts which have payment agreements are considered as not impaired; therefore they do not represent a risk of uncollectibility.

(e) The movement of the provision for impairment as of December 31, 2017 and 2016 is as follows:

	2017 S/(000)	2016 S/(000)	2015 S/(000)
Balance as of January 1	5,167	5,492	3,863
Additions, Note 22(b)	1,970	2,051	2,150
Recoveries, Note 22(b)	(1,103)	(2,422)	(531)
Exchange difference	(13)	46	10
Balance as of December 31	6,021	5,167	5,492

In Management's opinion, the provision for impairment appropriately covers the credit risk as of December 31, 2017 and 2016.

8. Other receivables

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

	2017 S/(000)	2016 S/(000)
Funds held in Banco de la Nación (b)	20,422	13,134
Outstanding advances (c)	680	4,133
Claims to EsSalud	379	110
Others	1,385	1,062
	22,866	18,439

(b) In accordance with Superintendence Resolution N°183-2004/SUNAT, funds held in Banco de la Nación must be used exclusively for the payment of tax debts, or a cash reimbursement requested. In the case of the Company and Subsidiaries, these funds have been used entirely for tax payments.

(c) As of December 31, 2017 and 2016, corresponds to payments made to workers related to the Company activities, related to the projects in the investments properties.

(d) In the opinion of InRetail Real Estate's Management, it is not necessary to make an impairment provision as of December 31, 2017 and 2016, as no credit risk has been identified.

9. Prepaid expenses

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

	2017 S/(000)	2016 S/(000)
Insurance	1,526	1,903
Others	3,640	471
	5,166	2,374

10. Recoverable taxes

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

By type:	2017 S/(000)	2016 S/(000)
Tax credit recoverable for value-added-tax (b)	22,471	61,468
Income Tax credit	1,821	2,755
Retentions and perceptions	1,905	5,398
	26,197	69,621
By term:		
Current	10,045	19,275
Non-current	16,152	50,346
	26,197	69,621

(b) Corresponds to the tax credit for value-added-tax originated mainly by the development and construction of shopping malls in Lima and provinces, as well as by other payments related to the operations of Interproperties Holding and Interproperties Holding II (SPEs). In the opinion of InRetail Real Estate's Management, this tax credit will be recovered by setting off against the payable balances of said tax generated mainly by the rental income from InRetail Real Estate's properties.

11. Facilities, furniture and equipment, net

(a) The movement of facilities, furniture and equipment and accumulated depreciation, for the years ended as of Dece

	Facilities S/(000)	Furniture and fixtures S/(000)	Transport units S/(000)
Cost			
Balance as of January 1, 2016	5,424	4,258	443
Additions (c)	136	62	112
Disposals	-	-	(62)
Balance as of December 31, 2016	5,560	4,320	493
Additions (c)	263	215	478
Disposals	-	(349)	(273)
Balance as of December 31, 2017	5,823	4,186	698
Accumulated depreciation			
Balance as of January 1, 2016	900	1,597	149
Depreciation of the year, see Note 22(b)	1,086	688	88
Disposals	-	-	(63)
Balance as of December 31, 2016	1,986	2,285	174
Depreciation of the year, see Note 22(b)	1,107	611	130
Disposals	-	(235)	(162)
Balance as of December 31, 2017	3,093	2,661	142
Net cost			
As of December 31, 2016	3,574	2,035	319
As of December 31, 2017	2,730	1,525	556

(b) As of December 31, 2017 and 2016, there are no pledges or guarantees provided to third parties on the facilities, f

(c) As of December 31, 2017 and 2016, additions are related mainly to the acquisition of computers and light boxes fo S/2,305,000 and S/1,740,000, respectively.

(d) As of December 31, 2017 and 2016, InRetail Real Estate's Management performed an assessment of the facilities, indicator on said assets. In its opinion, the book value of the facilities, furniture and equipment is recoverable with t

(e) As of December 31, 2017 and 2016, the cost and corresponding accumulated depreciation of assets acquired thro

	December 31, 2017		
	Cost S/(000)	Accumulated depreciation S/(000)	Net Cost S/(000)
Miscellaneous equipment	7,454	(4,982)	2,472

12. Investment properties

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

	2017 S/(000)	20 S/(
Built on owned land		
Shopping malls:		
Real Plaza Chiclayo shopping mall (ii)	262,796	255,
Real Plaza Piura shopping mall (ii)	231,111	220,
Real Plaza Primavera shopping mall (ii)	222,477	208,
Real Plaza Trujillo shopping mall (ii)	199,368	181,
Real Plaza Puruchuco (i)	141,736	137,
Real Plaza Santa Clara shopping mall (ii)	113,984	108,
Real Plaza Pro shopping mall (ii)	106,905	97,
Real Plaza Cajamarca shopping mall (ii)	96,057	112,
Real Plaza Guardia Civil shopping mall (ii)	76,085	71,
Real Plaza Sullana shopping mall (ii)	50,141	55,
La Curva	42,986	31,
Real Plaza Nuevo Chimbote shopping mall (ii)	30,607	24,
Real Plaza Lurín shopping mall (ii)	21,320	21,
Jirón de la Unión – Stores	18,768	20,
San Juan de Lurigancho – Retail store	10,650	10,
Lands (iii):		
Rex	58,088	57,
Chacarilla	34,005	26,
Carabayllo	23,405	23,
Cañete Valley land	15,984	16,
Tarapoto	15,665	15,
Zapallal	13,784	13,
Pisco	4,809	4,
	1,790,731	1,716,
Built on surface or usufruct rights		
Real Plaza Salaverry shopping mall (i) and (ii)	462,095	428,
Real Plaza "San Antonio" Cusco shopping mall (i) and (ii)	260,128	247,
Real Plaza Centro Cívico shopping mall (i) and (ii)	233,451	231,
Real Plaza Huancayo shopping mall (i) and (ii)	158,189	163,
Real Plaza Huánuco shopping mall (i) and (ii)	116,370	117,
Real Plaza Juliaca shopping mall (i) and (ii)	95,634	95,
Real Plaza Arequipa shopping mall (i) and (ii)	85,802	103,
Others	-	1,
	1,411,669	1,388,
Total	3,202,400	3,105,

(*) Corresponds to disbursements for usufruct rights on those lands where future real estate projects will be developed. At th
alternatives investment of real estate, yet so as of December 31, 2017 and 2016 investments are accounted at cost.

DCF: Discounted cash flow

(i) For the construction of these shopping malls and properties, landlord leases contracts were subscribed with the Marina de Guerra del Perú (Salaverry), the Arzobispado de Cuzco (on land in Cusco "San Antonio"), Oficina de Normalización Previsional – ONP (Centro Cívico), Ferrovías Central Andina S.A.(Huancayo), Municipalidad provincial de Huánuco (on land of "Real Plaza Huánuco" shopping mall), Ferrocarril Trasandino S.A.(Juliaca), the Association denominated "Religiosas del Sagrado Corazón de Jesús" (Arequipa), Gobierno Regional de Moquegua (Moquegua) and Inmobiliaria Pazos S.A.C. (La Curva). These contracts have terms for periods between 20 to 70 years.

(ii) Correspond mainly 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 land on which real estate projects will be developed, mainly shopping malls branded "Real Plaza".

(b) The movement of the investment properties is as follows:

	2017 S/(000)	2016 S/(000)	2015 S/(000)
As of January 1 and at incorporation date	3,105,461	2,925,501	2,719,800
Additions (c) and (d)	86,475	171,674	172,737
Sale and disposal (b.1), Note 24	(960)	(2,770)	(4,605)
Fair value adjustment (e)	11,424	11,056	37,569
As of December 31	3,202,400	3,105,461	2,925,501

(b.1) As of December 31, 2017 and 2016, corresponds to the following:

(b.1.1) During 2017 part of the land corresponding to Puruchuco has been expropriated by the municipality, for the value of S/4,004,000. This sale generated a gain for approximately S/3,044,000. During 2016, InRetail Real Estate sold the land "Pueblo Joven Miramar Bajo Mz A Lt 16 - Chimbote - Santa - Ancash" to a third party, in cash and at their market values, for an amount of US$500,000 (equivalent to approximately S/1,733,000); Amount shown are presented in the caption "Other incomes (expenses)" of the consolidated statements of income, see Note 24. This sale generated a gain for approximately S/28,000.

(b.1.2) During the year 2016, InRetail Real Estate transferred the usufruct rights on land "La Curva" to its related party Supermercados Peruanos S.A., rebilling to the related costs incurred in the land by S/1,018,000; the amount shown is presented in the caption "Other incomes (expenses)" of the consolidated statements of income, see Note 24. This transfer generated a loss for approximately S/47,000.

(c) As of December 31, 2017 and 2016, the additions to the investment properties caption are comprised by:

	2017 S/(000)	2016 S/(000)
Projects under construction and land acquisition (d)	66,200	156,667
Work in progress (d)	20,275	15,007
As of December 31	86,475	171,674

(d) As of December 31, 2017 and 2016, corresponds mainly to enlargements and/or refurnishing of the following shopping malls and properties:

Shopping mall - SM	Description	2017 S/(000)
Primavera centro y sur	Expansion of the shopping center for the opening of a fast-fashion and a new banking area.	13,219
Real Plaza Arequipa SM	Indemnities for the application of the penalty for reduction of the area assigned to Tiendas Peruanas S.A. (Breach of contract) and remodeling made to the Shopping Mall	13,828
Real Plaza Huancayo SM	Expansion of the shopping center that includes food court and the Opening of H&M	11,691
La Curva	Purchase of the land "La Curva," which will be used for future projects.	8,061
Nuevo Chimbote	Expansion of the Shopping Mall for the opening of a supermarket and a home improvement store	8,580
Chacarilla	Acquisition of land in Velasco Astete for future projects	8,034
Real Plaza Trujillo SM	Expansion of the Shopping Mall for opening of the smaller stores.	7,863
Real Plaza Cusco SM	Expansion of the Shopping Mall for opening of the smaller stores.	4,539
Real Plaza Piura SM	Expansion of the Shopping Mall for opening of the smaller stores.	4,297
Real Plaza Puruchuco	Works made for the construction of a Shopping Mall, which has an area of 142,701 m2.	3,509
Real Plaza Huanuco SM	Expansion of the Shopping Mall for works carried out to improve road access to the Shopping Center	1,692
	Others less than S/(000) 1,500	1,162
		86,475

Shopping mall - SM	Description	2016 S/(000)
La Curva	Purchase of the land "La Curva," which will be used for future projects.	31,690
Rex	Purchase of the land "Ladrillera Rex," which has an area of 114.550 m2, which will be used for future projects.	27,898
Lurín SM	Works made for the construction of a Shopping Mall (SM), which has an area of 37,300 m2.	26,645
Real Plaza Arequipa SM	Indemnities for the application of the penalty for reduction of the area assigned to Tiendas Peruanas S.A. (Breach of contract) and remodeling made to the Shopping Mall	20,539
Real Plaza Trujillo SM	Expansion of the Shopping Mall for opening of the smaller stores.	19,552
Real Plaza Piura SM	Expansion of the Shopping Mall for opening of the smaller stores.	14,141
Puruchuco	Works made for the construction of a Shopping Mall, which has an area of 142,701 m2.	7,117
Real Plaza Guardia Civil SM	Expansion of the Shopping Mall for opening of the smaller stores.	7,031
Real Plaza Cusco SM	Expansion of the Shopping Mall for opening of the smaller stores.	5,995
Real Plaza Huancayo SM	Expansion of the shopping center that includes the parking improvements.	4,332
	Others less than S/(000) 1,500	6,734
		171,674

(e) The following table presents the valuation analysis of investment properties recognized in the consolidated stateme described in Note 3.2(s), as of December 31, 2017 and 2016:

	As of December 31, 2017	
	Level 3(*) S/(000)	Total gains (losses) in the period of the consolidated statements of comprehensive income S/(000)
Built on owned land		
Shopping malls:		
Real Plaza Chiclayo shopping mall	262,796	7,420
Real Plaza Piura shopping mall	231,111	5,849
Real Plaza Primavera shopping mall	222,477	880
Real Plaza Trujillo shopping mall	199,368	9,528
Real Plaza Puruchuco	141,736	1,889
Real Plaza Santa Clara shopping mall	113,984	5,600
Real Plaza Pro shopping mall	106,905	8,467
Real Plaza Cajamarca shopping mall	96,057	(16,848)
Real Plaza Guardia Civil shopping mall	76,085	3,844
Real Plaza Sullana shopping mall	50,141	(5,739)
La Curva	42,986	2,965
Real Plaza Nuevo Chimbote shopping mall	30,607	(2,839)
Real Plaza Lurín shopping mall	21,320	1,814
Jirón de la Unión – Stores	18,768	(1,879)
San Juan de Lurigancho – Retail store	10,650	85
Lands:		
Rex	58,088	643
Chacarilla	34,005	(434)
Carabayllo	23,405	148
Cañete Valley land	15,984	(608)
Tarapoto	15,665	(173)
Zapallal	13,784	317
Pisco	4,809	85
	1,790,731	21,014
Built on surface or usufruct rights		
Real Plaza Salaverry shopping mall	462,095	32,992
Real Plaza "San Antonio" Cusco shopping mall	260,128	7,975
Real Plaza Centro Cívico shopping mall	233,451	1,062
Real Plaza Huancayo shopping mall	158,189	(16,895)
Real Plaza Huánuco shopping mall	116,370	(2,873)
Real Plaza Juliaca shopping mall	95,634	(220)
Real Plaza Arequipa shopping mall	85,802	(31,631)
Others	-	-
	1,411,669	(9,590)
	3,202,400	11,424

(*) The Company does not have properties classified as level 1 or 2, therefore the fair value of the assets are classified as Le cash flow methodology and an appraisal formulated by an independent professional who is registered in the "Consejo Nac appraisers are registered in the (REPEV) in the Superintendency of Banking and Insurance (SBS).

The fair value of the investment properties has been determined by InRetail Real Estate's Management on the basis of the discounted cash flow method and based on the value assigned by an independent appraiser in the case of the land of investment properties under construction and for those held to operate in the future. The valuation is prepared on an aggregated and deleveraged basis. According to what is established in Note 3.2(i), in order to estimate the market value of investment properties, Management has used its market knowledge and professional judgment.

A brief description of the cash flow assumptions used as of December 31, 2017 and 2016, is presented below:

- Long-term inflation -
  Is the increase of the general level of prices expected in Peru for the long term.

- Long-term average occupancy rate -
  Is the expected occupancy level of tenants in the leased properties.

- Average growth rate of rental income -
  Is the rate 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 EBITDA margin -
  Is projected from the rental income from leasable areas by property and marketing income, less costs related to administration fees, other administrative expenses, insurance, taxes and other expenses.

- Discount rate -
  It reflects the current market risk and the uncertainty associated to the obtaining of cash flows.

The main assumptions used in the valuation and estimation of the market value of investment properties are detailed below:

	Percentage 2017 %	Percentage 2016 %
Long-term inflation	2.50	2.50
Long-term average occupancy rate	97.81	98.75
Average long-term growth rate of rental income	2.50	2.50
Average EBITDA margin	84.48	83.60
Discount rate	9.00	9.00

(f) The sensitivity analysis on the valuation of property investments, against changes in factors deemed relevant by Management, is presented below:

	Rates change	2017 S/(000)	2016 S/(000)
Average growth rate of rents (basis) – 2.50%			
Increase	+0.25%	91,152	97,947
Decrease	-0.25%	(85,495)	(91,724)
Discount rate (basis) – 9.00%- 9.17%			
Increase	+0.5%	(199,937)	(200,973)
Decrease	-0.5%	226,988	229,096

(g) The amount of the future minimum fixed rental income by currency corresponding to the lease of the investment properties of InRetail Real Estate is as follows:

Year	Related parties		Third parties		Total	
	US$(000)	S/(000)	US$(000)	S/(000)	US$(000)	S/(000)
2017	6,495	83,906	2,933	130,501	9,428	214,407
2018	6,357	80,719	2,392	95,979	8,749	176,698
2019	6,250	75,083	2,152	57,240	8,402	132,323
2020	5,895	71,470	1,639	38,991	7,534	110,461
2021-2044	105,218	1,126,066	27,909	313,637	133,127	1,439,703
Total	130,215	1,437,244	37,025	636,348	167,240	2,073,592

13. Derivative financial instruments – "Call spread"

	Counterpart	Reference Amount US$(000)	Expiration	Fair Value 2017 S/(000)	Fair Value 2016 S/(000)
Cash flow hedge					
Call spread	J.P. Morgan	200,000	jul-21	30,279	55,908
				30,279	55,908

During 2015, InRetail Real Estate signed a "Call Spread" with J.P. Morgan for a total notional amount of US$200,000,000 in order to reduce its foreign currency risk related to a part of the senior notes issued in July, 2014 in foreign currency, see Note 16(b). The price paid for such derivative financial instruments (premium) was financed, generating a liability for approximately S/41,487,000 and S/51,940,000 as of December 31, 2017 and 2016, respectively; see Note 16(a). According to IFRS 9, this premium was recorded into the non-current asset and it is recognized in profit and losses on straight-line basis over the hedging term; consequently, approximately S/12,142,000 and S/12,685,000 were recorded in profit and losses during 2017 and 2016, respectively; see Note 25. Additionally, approximately S/14,077,000 and S/14,693,000, were charged into the caption "Unrealized results" in the consolidated statement of changes in equity during 2017 and 2016, respectively, representing the derivative financial instruments hedging during that year.

14. Trade accounts payables

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

	2017 S/(000)	2016 S/(000)
Third parties (b)	32,941	19,668
Provisions for unbilled services but received (c)	7,464	11,504
	40,405	31,172
By term:		
Current	31,866	31,172
Non-current	8,539	-
	40,405	31,172

(b) As of December 31, 2017 and 2016, trade payable mainly comprises the liabilities with contractors for the construction works and/or refurnishing of shopping malls. Bills payable are denominated in Soles and US Dollars, do not accrue interests and their maturities are in the current period.

(c) Corresponds to provisions for services received but unbilled by suppliers, mainly from services provided by construction companies in the last quarter of the period. In Management's opinion, such provisions are enough to fulfill the liabilities once they are billed.

15. Other liabilities

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

	2017 S/(000)	2016 S/(000)
Interests payable (b)	36,198	38,393
Deferred income (c)	23,411	30,577
Workers' profit sharing	3,486	2,400
Deposits from third parties (d)	2,719	2,751
Taxes payable	2,715	2,023
Value added tax	440	10,263
Vacation payable	281	235
Other payable	11,009	9,515
	80,259	96,157
By term:		
Current	60,649	72,821
Non-current	19,610	23,336
	80,259	96,157

(b) As of December 31, 2017 and 2016, mainly corresponds to interests payable originated by the long-term bank loan subscribed with foreign entities, see Note 16(b), and the derivative financial instruments – "Call spread", see Nota 13.

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

	2017 S/(000)	2016 S/(000)
Key money (c.1)	16,019	18,293
Advanced rents (c.2)	6,184	11,231
Other deferred income (c.3)	1,208	1,053
	23,411	30,577

(c.1) As of December 31, 2017 and 2016, 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 as of December 31, 2017 and 2016 is as follows:

	2017 S/(000)	2016 S/(000)
Balance as of January 1	18,293	21,032
Additions	4,727	6,668
Accrued key money	(7,001)	(9,407)
Balance as of December 31	16,019	18,293

(c.2) As of December 31, 2017 and 2016, mainly corresponds to advanced rents made by Cineplex S.A. (a related entity), Ripley S.A. and América Móvil S.A. for the premises they occupy in the Real Plaza shopping malls until 2021, 2019 and 2018, respectively.

(c.3) As of December 31, 2017 and 2016 corresponds mainly to common expenses.

(d) As of December 31, 2017 and 2016, corresponds mainly to cash deliveries from tenants of Real Plaza shopping malls. These deposits do not accrue interests and will be refunded in the original currency at the end of the lease contract.

16. Financial obligations

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

Type of obligation	Original currency	Interest rate %	Maturity
Bond Issuance (b)			
Foreign currency bonds issuance	US$	6.50	2021
Local currency bonds issuance	S/	7.88	2034
Leasing			
Unrelated parties			
Banco de Crédito del Perú S.A., purchase of property of Real Plaza Chiclayo Shopping Mall (c)	S/	8.02	2019
Banco de Crédito del Perú S.A., enlargement of Section 2A of Real Plaza Chiclayo Shopping Mall (d)	S/	7.97	2023
Banco de Crédito del Perú S.A., enlargement of Section 2B of Real Plaza Chiclayo Shopping Mall (e)	S/	8.06	2023
IBM Perú S.A.C.	US$	Between 1.92 and 3.10	Between 201 and 2018
Hewlett Packard Perú S.R.L.	US$	Between 1.82 and 4.93	2020
CSI Renting Perú S.A.C.	US$	Between 4.64 and 4.73	2018
Infratech	US$	5.00	2020
Related parties			
Banco Internacional del Perú S.A.A. - Interbank, purchase of transport units	US$	Between 5.25 and 5.40	2019
Promissory notes and loans			
Unrelated parties			
Scotiabank del Perú S.A.A. (g)	S/	6.70	2019
Derivative financial instruments - "Call spread", Note 13			
Unrelated parties			
JP Morgan S.A.	US$	1.84	2021
Total			

(b) In July 2014 InRetail Real Estate Corp. issued through InRetail Shopping Malls, a private offering in the local market and abroad of "Senior Unsecured Notes" for US$350,000,000 (equivalent to approximately S/1,135,750,000 as of December 31, 2017 and approximately (S/1,176,000,000 as of December 31, 2016), which bear annual interest rate of 6.50 percent and mature in 2021. These obligations were recognized in the consolidated financial statements at amortized cost at an annual effective interest rate of 7.806 percent for US Dollars and includes issuance charges for approximately US$16,636,000 equivalent to approximately S/53,984,000 as of December 31, 2017 (US$20,571,000 equivalent to approximately S/69,118,000 as of December 31, 2016). Additionally, as of December 31, 2017, this caption is presented net of US$50,814,000 equivalent to S/ 164,891,000 (US$50,814,000 approximately equivalent to S/170,735,000 as of December 31, 2016) corresponding to these "Senior Unsecured Notes" held by InRetail Shopping Malls.

Additionally, in July 2014, InRetail Real Estate Corp. issued through InRetail Shopping Malls, a private offering in the local market and abroad of "Senior Unsecured Notes" for S/141,000,000 which bear annual interest rate of 7.875 percent, and mature in 2034. These obligations were recognized in the consolidated financial statements at amortized cost at an annual effective interest rate of 7.988 percent for US Dollars and soles and includes issuance charges for approximately S/1,617,000 (S/1,676,000 as of December 31, 2016). Additionally, as of December 31, 2017, this caption is presented net of S/4,000,000 (S/4,000,000 as of December 31, 2016) corresponding to these "Senior Unsecured Notes" held by InRetail Shopping Malls.

The proceeds from these issuances were allocated mainly for purchasing property, investments in real estate projects and prepaid certain debts owed of prior years.

As of December 31, 2017 and 2016, InRetail Real Estate Corp. accrued interest expenses for S/74,160,000 and S/76,674,000, respectively, which are presented in the caption "Financial expenses" of the consolidated statements of income, see Note 25. Also this transaction generated structuring expenses of S/13,110,000 and S/12,673,000, respectively, which are presented in the caption "Financial expenses" of the consolidated statements income, see Note 25.

As of December 31, 2017 and 2016, Inretail Shopping Malls complied with certain obligations and restrictive clauses that are referred to the compliance with financial ratios. Amongst the main obligations are presented as follows:

Local currency debt:

Maintenance covenant:

- The Parent and its restricted subsidiaries will maintain at all times unencumbered assets of not less than 150 percent of the aggregate principal amount of the consolidated unsecured indebtedness of the parent and it is restricted.

Incurrence covenant:

- Leverage Test: The aggregate principal amount of all outstanding indebtedness is not greater than 60 percent of the sum of total assets.
- Secured Debt Test: the aggregate principal amount of all outstanding secured indebtedness is not greater than 40 percent of the sum of total assets.
- Debt Service Test: The ratio of consolidated adjusted EBITDA to consolidated Interest Expense for the period consisting of the four consecutive fiscal quarters ending with the Latest Completed Quarter is greater than 1.5 to 1.

Foreign currency debt:

Maintenance covenant:

- The Parent and its restricted subsidiaries will maintain at all times unencumbered assets of not less than 150 percent of the aggregate principal amount of the consolidated unsecured indebtedness of the parent and its restricted subsidiaries.

Incurrence covenant:

- Leverage Test: The aggregate principal amount of all outstanding indebtedness is not greater than 60 percent of the sum of total assets.
- Secured Debt Test: the aggregate principal amount of all outstanding secured indebtedness is not greater than 30 percent of the sum of total assets.
- Debt Service Test: The ratio of consolidated adjusted EBITDA to consolidated Interest Expense for the period consisting of the four consecutive fiscal quarters ending with the Latest Completed Quarter is greater than 2 to 1.

(c) Corresponds to a leasing agreement with Banco de Crédito del Perú (hereinafter "BCP"), for an approximate amount of S/54,748,000, over a term of 120 months, for the properties Interseguro sold through a surface right contract. This loan was used mainly for the acquisition of the property where Real Plaza Chiclayo shopping mall is located.

BCP put at disposal the buildings in leasing in favor of Interproperties Peru, who made the payment of an initial installment amounting to S/18,748,000 on October 28, 2009, in accordance with the leasing contract.

This obligation is associated solely with the Real Plaza Chiclayo project and is provided with a guarantee and management trust through La Fiduciaria S.A., which securitized the future cash flows of the collection rights of the contracts of lease, sublease, usufruct and any other type of contract that the lessees of Real Plaza Chiclayo shopping mall must pay for: (a) rent (fixed and/or variable), use, penalties, indemnifications, key rights and/or any type of consideration for the use or enjoyment of said premises; (b) commissions on events and sponsorships or the leases of spaces for advertisement; and, (c) in a general way, any type of collection related to the activity of Real Plaza Chiclayo shopping mall, which constitute the assets in trust that have been transferred to the trust managed by La Fiduciaria S.A. In order to secure this funding, a new guarantee called "Reserve account" has been constituted, which as of December 31, 2017 and 2016, amounted to approximately S/1,604,000.

On August 2014 the debt was restructured with a change in the interest rate which change from 9.02 to 8.02.

As of December 31, 2017 and 2016, InRetail Real Estate complied with certain obligations and restrictive clauses that are refined to the compliance with financial obligations. In the opinion of InRetail Real Estate's Management, these obligations have been complied satisfactorily and are within the agreed limits.

(d) During 2012, Interproperties Holding II (SPE), decided to enlarge Real Plaza Chiclayo shopping mall (hereinafter "Enlargement of Section 2A"), for which on December 26, 2012, signed an addendum to the Framework Contract with BCP, which committed to finance the project up to US$12,500,000. As of December 31, 2017 and 2016 the project is already operating and, Interproperties Holding II has recorded related to those dates liabilities at such dates.

On June 20, 2014 the funding currency and the interest rate of the debt were renegotiated and changed from US Dollar to Soles, therefore the new amount of the debt is S/32,926,355 and the annual interest rate changed from 7.62 percent to 7.97 percent.

(e) During 2013, Interproperties Holding II (SPE) continued the expansion of Real Plaza Chiclayo shopping mall (hereinafter "Enlargement of Section 2B"), for which it signed an addendum to the leasing agreement with BCP, which committed to finance the project for up to US$7,500,000. As of December 31, 2013, the expansion of Section 2B is under construction; however, Interproperties Holding II (SPE) has recorded the corresponding liabilities at such dates.

On June 20, 2014 the funding currency and the interest rate of the debt were renegotiated and changed from US Dollar to Soles, therefore the new amount of the debt is S/20,726,824 and the annual interest rate changed from 7.02 to 8.06 percent.

(f) As of December 31, 2017 and 2016, the Company recorded interests expenses for the loans described above in (c),(d) and (e) for an approximate amount of S/4,034,000 and S/4,759,000 respectively, which are presented in the "Financial expenses" caption of the consolidated statements income and other of comprehensive income, see Note 25.

(g) Corresponds to a loan, which it was used to repay debts and for other corporate purposes. As of December 31, 2017 and 2016, this obligation was recognized in the consolidated financial statements at amortized cost at an annual effective interest rate of 6.7 percent, which includes the issuance charges of approximately S/461,000 and S/800,000, respectively.

(h) Future minimum payments for the leasing described in subsection (a) of this Note, net of future financial charges, a

2017	Related parties		Th
	Minimum Payments S/(000)	Present value of the leasing installments S/(000)	Minimum payments S/(000)
Up to 1 year	174	160	14,373
Between 1 and 3 years	164	164	29,234
Up to 3 years	-	-	15,964
Total minimum payments	338	324	59,571
Minus- amounts representing finance charges	(14)	-	(10,614)
Present value of future minimum payments	324	324	48,957

2016	Related parties		Th
	Minimum Payments S/(000)	Present value of the leasing installments S/(000)	Minimum Payments S/(000)
Up to 1 year	62	57	14,432
Between 1 and 3 years	69	67	26,637
Up to 3 years	-	-	32,242
Total minimum payments	131	124	73,311
Minus- amounts representing finance charges	(7)	-	(14,748)
Present value of future minimum payments	124	124	58,563

(i) Future payments for Bonds include interests described in subsection (a) of this Note, which include interest expens

	2017		
	Principal S/(000)	Interest S/(000)	Total S/(000)
2017	-	-	-
2018	-	73,895	73,895
2019	-	73,895	73,895
2020	-	73,895	73,895
Up to 2034	1,052,258	149,968	1,202,226
	1,052,258	371,653	1,423,911

17. Deferred Income Tax

(a) The Deferred Income Tax assets and liabilities presented in the consolidated statements as of December 31, 2017 a

	2017		
	Deferred asset S/(000)	Deferred liability S/(000)	Deferred asset S/(000)
Inmobiliaria Puerta del Sol S.A.	-	26,846	-
Real Plaza S.A.	1,521	632	1,106
Total	1,521	27,478	1,106

(b) Following is the detail of the deferred Income Tax assets and liabilities:

	Balance as of December 1, 2016 S/(000)	Income (expense) in consolidated statement of income S/(000)	Balance as of December 31, 2016 S/(000)
Deferred assets			
Provision for unpaid vacations	192	(123)	69
Depreciation	375	509	884
Provision for doubtful accounts	198	(79)	119
Others	33	1	34
Total	798	308	1,106
Deferred liabilities			
Valuations gains from investment properties	(13,756)	861	(12,895)
Tax depreciation of investment properties	(3,943)	(2,199)	(6,142)
Income Tax attributed to trust participants	-	-	-
Others	(18)	3	(15)
Total	(17,717)	(1,335)	(19,052)

(*) As of December 31, 2016, the effect of the application of the new income tax rate, see Note 14(a), resulted in an expense
Which were recorded as part of the consolidated statement of income.

(c) The Income Tax expense presented in the consolidated statements of income for the years 2017, 2016 and 2015 is comprised as follows:

	2017 S/(000)	2016 S/(000)	2015 S/(000)
Current	(57,865)	(55,122)	(3,665)
Deferred	(8,011)	(1,027)	(3,556)
Total	(65,876)	(56,149)	(7,221)

18. Commitments

During 2017, corresponds to guarantee letters in favor of third parties for approximately S/10,635,000 and US$3,391,000 (equivalent to S/11,394,000), which guarantee the compliance of obligations from contractual agreements related to the real estate projects of Interproperties Holding and Interproperties Holding II (During 2016 for approximately S/21,447,000).

19. Equity

(a) Capital stock -

As of December 31, 2017 and 2016, 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 each.

(b) Unrealized results, net -

As of December 31, 2017 and 2016, the unrealized results were generated by the investments at fair value through other comprehensive income and derivate financial instruments – "Call spread" see Note 6 and 13, respectively.

(c) Transactions with non-controlling interests -

In February 2016, the Company purchased 100 percent of the non-controlling interests for approximately US$2,732,000 (equivalent to approximately S/9,040,000); the highest amount paid for approximately S/2,621,000 was recorded in the caption "Retained earnings" in the consolidated statement of changes in equity.

(d) 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		
	Thousands of shares outstanding	Effective days until year's closing	Weighted average of shares
2016 -			
As of January 1, 2016	568,201	365	568,201
As of December 31, 2016	568,201		568,201
2017 -			
As of January 1, 2017	568,201	365	568,201
As of December 31, 2017	568,201		568,201

	2017		
	Net income (numerator) S/	Shares (denominator)	Earnings per share S/
Basic and diluted earnings per share	137,066	568,201	0.2412

	2016		
	Net income (numerator) S/	Shares (denominator)	Earnings per share S/
Basic and diluted earnings per share	127,925	568,201	0.2251

20. Income from real estate service

(a) The composition of the balance is presented below:

	2017 S/(000)	2016 S/(000)	2015 S/(000)
Rental income			
Rental income (b)	309,198	295,783	275,756
Rent of space for publicity	12,556	11,960	12,738
Key money, Note 15(c.1)	7,001	9,407	7,441
	328,755	317,150	295,935
Income from management services			
Common expenses (c)	66,824	62,191	59,493
Electricity and water (d)	48,055	49,662	46,435
Promotion and advertisement fund (e)	17,348	16,493	15,869
Parking	8,793	8,541	5,208
Management services	1,365	1,029	1,628
Negotiations of land and buildings	-	-	7,857
Advisory and supervision	-	-	44
Other	4,714	2,812	2,662
	147,099	140,728	139,196

(b) As of December 31, 2017 and 2016, corresponds to rental income from the economic exploitation of the "Real Plaza" shopping malls. The composition of the rental income is presented below:

	2017 S/(000)	2016 S/(000)	2015 S/(000)
Fixed rental income	262,947	254,446	238,447
Variable rental income	46,251	41,337	37,309
	309,198	295,783	275,756

(c) Corresponds to income from common expenses that comprise maintenance expenses, safety, administration and supervision of the shopping malls, which are billed to every lessee according to the terms established in the lease contract.

(d) Corresponds to income from electricity and water that are assumed by the Company and are billed later to every lessee of the shopping malls.

(e) Corresponds to income from the activities of promotion and advertisement of the shopping malls, which are billed to every lessee of the shopping malls according to the terms established in the lease contract.

21. Operating costs

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

	2017 S/(000)	2016 S/(000)	2015 S/(000)
Cost of rental income			
Landlord leases (b)	27,490	16,324	12,024
Property Tax and duties	13,271	12,342	11,307
Property insurance costs	3,745	3,909	3,773
Other costs	187	1,426	919
	44,693	34,001	28,023
Cost related to income from management services			
Electricity and water	41,309	47,325	44,970
Advertising and marketing	18,246	18,430	17,205
Maintenance and administration of parking lot	17,357	14,802	11,313
Personnel expenses, Note 23(b)	12,155	9,812	14,977
Cleaning	10,597	9,053	8,615
Safety services	7,805	6,743	6,774
Leases, professional fees and communications	371	1,635	1,634
Other costs	4,337	1,253	1,040
	112,177	109,053	106,528

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

22. Selling and administrative expenses

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

	2017 S/(000)	2016 S/(000)	2015 S/(000)
Administrative expenses	28,300	26,355	25,158
Selling expenses	8,067	6,254	7,857
	36,367	32,609	33,015

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

	2017		
	Administrative expenses S/(000)	**Selling expenses** S/(000)	**Total** S/(000)
Personnel expenses, Note 23(b)	14,718	5,823	20,541
Professional fees	4,322	390	4,712
Depreciation, Note 11(a)	3,460	-	3,460
Amortization	287	-	287
Allowance for doubtful accounts, Note 7(e)	-	1,970	1,970
Recovery of allowance for doubtful accounts, Note 7(e)	-	(1,103)	(1,103)
Other expenses	5,513	987	6,500
	28,300	8,067	36,367

	2016		
	Administrative expenses S/(000)	**Selling expenses** S/(000)	**Total** S/(000)
Personnel expenses, Note 23(b)	9,268	5,560	14,828
Professional fees	8,228	869	9,097
Depreciation, Note 11(a)	3,328	-	3,328
Amortization	244	-	244
Allowance for doubtful accounts, Note 7(e)	-	2,051	2,051
Recovery of allowance for doubtful accounts, Note 7(e)	-	(2,422)	(2,422)
Other expenses	5,287	196	5,483
	26,355	6,254	32,609

	2015		
	Administrative expenses S/(000)	Selling expenses S/(000)	Total S/(000)
Personnel expenses, Note 23(b)	12,910	5,532	18,442
Professional fees	1,991	-	1,991
Depreciation, Note 11(a)	2,775	-	2,775
Amortization	147	-	147
Allowance for doubtful accounts, Note 7(e)	-	2,150	2,150
Recovery of allowance for doubtful accounts, Note 7(e)	-	(531)	(531)
Other expenses	7,335	706	8,041
	25,158	7,857	33,015

23. Personnel expenses

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

	2017 S/(000)	2016 S/(000)	2015 S/(000)
Salaries	17,076	13,947	17,319
Regular bonuses	4,331	2,838	4,219
Workers' profit sharing	3,447	1,961	4,127
Social security	2,058	1,532	2,148
Severance indemnities	2,075	1,389	1,960
Vacations	1,755	733	1,567
Other personnel expenses	1,954	2,240	2,079
	32,696	24,640	33,419

(b) The distribution of personnel expenses is presented below:

	2017 S/(000)	2016 S/(000)	2015 S/(000)
Operating costs, see Note 21(a)	12,155	9,812	14,977
Administrative expenses, see Note 22(b)	14,718	9,268	12,910
Selling expenses, see Note 22(b)	5,823	5,560	5,532
	32,696	24,640	33,419

24. Other incomes (expenses), net

The composition of this caption is presented below:

	2017 S/(000)	2016 S/(000)	2015 S/(000)
Other incomes			
Income from sale of investment property, 12(b.1.1)	4,004	1,733	-
Income from sale of asset	64	-	-
Income from transfer investment property, Note 12(b.1.2)	-	1,018	-
Gain on sale of subsidiary	-	-	665
Other	4,703	485	413
	8,771	3,236	1,078
Other expenses			
Cost of disposal of investment property, Note 12(b.1.1)	-	(1,705)	-
Cost for transfer of Investment property, Note 12(b.1.2)	-	(1,065)	-
Cost for retirement of investment property, Note 12(b)	(960)	-	(4,605)
Other	(49)	(12)	(262)
	(1,009)	(2,782)	(4,867)
Total other incomes (expenses), net	7,762	454	(3,789)

25. Financial income and expenses

The composition of this caption is presented below:

	2017 S/(000)	2016 S/(000)	2015 S/(000)
Income			
Interests on bonds	1,203	2,879	2,530
Interests on deposits	3,280	933	954
Interests from granted loans	1,017	638	402
Income from investments sold at fair value through other comprehensive income, Note 6	-	1,155	311
Interests on mutual funds, Note 5	1,437	342	99
Dividends	352	-	-
Other	494	304	56
	7,783	6,251	4,352

	2017 S/(000)	2016 S/(000)	2015 S/(000)
Expenses			
Bond interest expense, Note 16(b)	74,160	76,674	77,608
"Call Spread" premium, Note 13	12,142	12,685	5,939
Debt structuring expenses, Note 16(b)	13,110	12,673	10,302
Leasing -Real Plaza Chiclayo, Note 16(f)	4,034	4,759	5,335
Leasing -Real Plaza San Antonio del Cusco	-	31	84
Other financial expenses	11,195	12,958	8,600
	114,641	119,780	107,868

26. Tax situation

(a) InRetail Real Estate Corp. is incorporated in Panama; therefore, it is not subject to any Income Tax.

Entities and individuals not domiciled in Peru are subject to retention of an additional tax on dividends received. In attention to Legislative Decree No. 1261, issued on December 10, 2016 and effective since January 1, 2017, the additional tax on dividend income generated is as follows:

- 4.1 percent of the profits generated until December 31, 2014.
- 6.8 percent for the profits generated from January 1, 2015 to December 31, 2016.
- For the profits generated since January 1, 2017, which will be distributed as from that date, the applicable rate will be 5 percent.

(b) Real Plaza is domiciled in Peru and is subject to the Peruvian tax regime. As of December 31, 2017 and 2016, the statutory Income Tax rate was 28 percent, on the taxable income. After deducting the workers profit sharing which is calculated at a rate of 5 percent on taxable income. In attention to Legislative Decree No. 1261, issued on December 10, 2016 and effective since January 1, 2017, the income tax rate applicable on taxable profit, after deducting employee participation will be from 2017 onwards, 29.5 percent.

(c) According to the text of the Law on Income Tax, as amended by Law 29663 and 29757, since year 2012, among the transactions subject to capital duty, are those obtained by the indirect sale of shares of Peruvian companies. For these purposes, an indirect transfer is set when two instances occur together:

(i) First, 10 percent or more of the shares of non-resident must be sold in any twelve month period (assumed effective from February 16, 2011); and,

(ii) Second, the market value of the shares of Peruvian society must represent 50 percent or more of the market value of non-domiciled, in any period of twelve months (of course in force since July 22 2011).

(d) In Peru, for purposes of determining income tax, transfer pricing transactions with related companies and companies resident in territories with low or no taxation, must be supported with documentation and information on the valuation methods used and the criteria considered in its determination. Based on the analysis of operations, Management and its legal advisors believe that, as a result of the application of the regulation in force, there will not emerge significant contingencies for InRetail Real Estate as of December 31, 2017 and 2016.

(e) The Peruvian Tax Authority is legally entitled to perform tax audit procedures on local taxpayers for up to four years subsequent to the year of the presentation of the tax return. The Tax Authority is entitled to challenge the Income Tax calculation performed by such taxpayers. In the case of the Subsidiaries of InRetail Real Estate Corp., the years subject to tax audit procedures by the Tax Authority are detailed below:

	Income Tax	**IGV**
Real Plaza S.R.L.	From 2015 to 2017	From 2014 to 2017
Inmobiliaria Puerta del Sol	From 2014 to 2017	From 2014 to 2017

Due to the possible interpretations that the Tax Authority may give to the legal regulations currently in force, it is not possible to determine, to date, whether the examinations performed will or will not result in liabilities for InRetail Real Estate and its Subsidiaries. Thus, any higher tax or charges that could result from eventual tax examinations would be applied to the results of the period in which such tax or surcharge are determined.

In the opinion of the Management of InRetail Real Estate and of its legal advisors, any subsequent additional settlement of taxes would not be significant for the consolidated financial statements as of December 31, 2017 and 2016.

(f) According to Peruvian law, Interproperties Holding I, Interproperties Holding II and InRetail Shopping Mall are not considered as income taxpayers due to its status as SPS's. Such entities attribute their generated results, the net losses and Income Tax credits on foreign source income, to the holders of its certificates of participation or whoever holds those rights. In consequence, as of December 31, 2017 and 2016, the resulting deferred income tax liability from the application of such special tax treatment amounts to approximately S/213,081,000 and S/166,501,000, respectively.

27. Transactions with related parties

(a) The main transactions with related parties recorded in the consolidated income statements for the years 2017 and 2016, as the following:

	2017 S/(000)	2016 S/(000)	2015 S/(000)
Income			
Rental income	109,403	108,001	92,894
Income from management services	49,881	43,671	41,865
Reimbursements of expenses	1,898	1,970	432
Other	17,051	3,056	-
	178,233	156,698	135,191
Expenses			
Commissions	3,377	3,515	-
Reimbursements of expenses	882	1,498	296
Renting of premises and land	673	522	650
Other	16,250	2,531	1,474
	21,182	8,066	2,420

(b) As result of transactions with related parties, InRetail Real Estate presents the following balances in the consolidated statements of financial position as of December 31, 2017 and 2016:

	2017 S/(000)	2016 S/(000)
Cash and cash equivalents		
Banco Internacional del Perú S.A.A.-Interbank (c)	19,733	22,052
Trade and other receivables		
Interseguro Compañía de Seguros S.A.	20,554	224
Supermercados Peruanos S.A.	5,364	2,621
Tiendas Peruanas S.A.	4,419	20,317
Bembos S.A.	1,817	3,669
InRetail Management S.R.L.	1,874	22
Homecenters Peruanos S.A.	1,591	3,432
Banco Internacional del Perú S.A.A.-Interbank	1,139	658
Cineplex S.A.	754	3,979
Eckerd Perú S.A.	127	573
Intercorp Perú Ltd.	552	476
Other related companies	14,150	10,175
	52,341	46,146

	2017 S/(000)	2016 S/(000)
Trade and other payable		
Interseguro Compañía de Seguros S.A.	22,424	10
Tiendas Peruanas S.A	270	3,609
Supermercados Peruanos S.A.	513	72
Home Centers Peruanos S.A.	51	47
Other related companies	97	1,305
	23,355	5,043
Financial obligations		
Banco Internacional del Perú S.A.A.-Interbank, Note 17	326	124

(c) As of December 31, 2017 InRetail Real Estate holds S/17,461,891 and S/2,271,196 in time deposits, current accounts and management and security trust current accounts, respectively. (As of December 31, 2016 holds S/22,043,000, S/16,660,000, respectively).

(d) Transactions with related companies have been performed under normal market conditions. The taxes that these transactions generated, as well as the calculation basis for their determination, are the usual ones in the industry and they are settled in accordance with the current tax regulations.

28. Segments

InRetail Real Estate monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. The Group separated in two groups their incomes and costs in Lima and Provinces.

The following table presents income and certain asset information regarding InRetail Real Estate's reportable segments (in millions of Soles) for the years ended 31 December 2017 and 2016:

2017	Rental income S/(000)	Income from management services S/(000)	Fair value adjustment to investment properties S/(000)	Investments properties S/(000)
Lima	158,161	70,025	57,785	1,595,730
Provinces	170,594	77,074	(46,361)	1,606,670
Total	328,755	147,099	11,424	3,202,400

2016	Rental income S/(000)	Income from management services S/(000)	Fair value adjustment to investment properties S/(000)	Investments properties S/(000)
Lima	152,347	66,014	17,452	1,504,728
Provinces	164,803	74,714	(6,396)	1,600,733
Total	317,150	140,728	11,056	3,105,461

29. 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 and credit risk. The most important aspects for the management of these risks are:

(a) Market risk -

It is the risk that the fair values of the future cash flows of a financial instrument fluctuate due to changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and investments in shares risk. In the case of InRetail Real Estate, the financial instruments affected by market risks include loans, which are exposed to currency risk and interest rate risk. The sensitivity analysis shown in the following section relates to the position as of December 31, 2017 and 2016. The sensitivity analysis has been prepared considering that the total amount of the net debt and the proportion of financial instruments in foreign currency is constant.

(i) Interest rate risk -

It is the risk that the fair values or future cash flows of a financial instrument fluctuate due to changes in market interest rates. InRetail Real Estate manages its interest rate risk through the obtaining of debt with fixed interest rate. As of December 31, 2017 and 2016, InRetail Real Estate does not maintain debts at variable rate, which would be exposed to the risk of change in the interest rate.

The information on financial instruments with fixed interest rates is presented below:

	Fixed interest rate S/(000)	Not sensitive to interest rate S/(000)	Total S/(000)	Average interest rate as of December 31, 2017 %
Financial assets				
Cash and cash equivalents	22,846	31,309	54,155	2.90
Investments at fair value through profit or loss	-	202,047	202,047	-
Investments at fair value through other comprehensive income	-	56,403	56,403	-
Trade receivables	-	25,971	25,971	-
Accounts receivable from related parties	6,562	68,211	74,773	5.35
Derivative financial instruments – "Call spread"	30,279	-	30,279	6.7
Other receivables	-	31,787	31,787	
Financial liabilities				
Trade payables	-	40,405	40,405	-
Accounts payable to related parties	-	931	931	-
Other liabilities	-	80,259	80,259	-
Financial obligations	1,192,810	-	1,192,810	7.76

	Fixed interest rate S/(000)	Not sensitive to interest rate S/(000)	Total S/(000)	Average interest rate as of December 31, 2016 %
Financial assets				
Cash and cash equivalents	37,733	11,376	49,109	4.35
Investments at fair value through profit or loss	-	90,334	90,334	-
Investments at fair value through other comprehensive income	-	57,470	57,470	-
Trade receivables	-	30,034	30,034	-
Accounts receivable from related parties	476	77,136	77,612	6.63
Derivative financial instruments – "Call spread"	55,908	-	55,908	6.7
Other receivables	-	18,439	18,439	-
Financial liabilities				
Trade payables	-	31,172	31,172	-
Accounts payable to related parties	-	5,043	5,043	-
Other liabilities	-	96,157	96,157	-
Financial obligations	1,256,637	-	1,256,637	7.76

As described in Note 17, InRetail Real Estate only has debt instruments with fixed interest rates, so Management considers that the fluctuations in the interest rates, which are at market rates, will not affect significantly the operations of InRetail Real Estate in the next 12 months.

(ii) Exchange rate risk -
It is the risk that the fair values or future cash flows of a financial instrument fluctuate due to changes in exchange rates. The exposure of InRetail Real Estate to exchange rate risk is related mainly to the operating activities of InRetail Real Estate related to rental income in foreign currency and financial obligations.

As of December 31, 2017 and 2016, assets and liabilities by currency were the following (expressed in US Dollars):

	2017 US$(000)	2016 US$(000)
Assets		
Cash and cash equivalents	2,595	4,225
Investments at fair value through profit or loss	18,985	12,644
Investments at fair value through other	17,381	
comprehensive income		17,104
Trade receivables	402	726
Accounts receivable from related parties	2,722	2,432
Other receivables	403	816
	42,488	37,947
Liabilities		
Trade payables	1,498	2,450
Accounts payable from related parties	362	61
Other liabilities	11,303	10,501
Financial obligations	295,916	294,820
	309,079	307,832
"Call Spread" – Short position	200,000	200,000
Net liability position	(66,591)	(69,885)

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.

As of December 31, 2017 and 2016, InRetail Real Estate signed "Call Spread" agreements with notional amounts of US$200,000,000 to reduce its foreign currency risk related to a part of the senior notes issued. The derivatives financial instruments have been qualified as effective hedging instruments; see Note 13.

Transactions in foreign currency are performed at free market exchange rates publish by the Superintendence of Banks, Insurance and Pension Funds Administration. As of December 31, 2017, the market weighted average exchange rate for transactions in US Dollars was S/3.238 per US$1.00 bid and S/3.245 per US$1.00 ask (S/3.352 per US$1.00 bid and S/3.360 per US$1.00 ask as of December 31, 2016).

During 2017, InRetail Real Estate has incurred a net gain for exchange difference of approximately S/7,997,000 (net loss of S/3,878,000, for the year ended December 31, 2016, respectively), which is presented in the caption "Exchange difference, net" of the consolidated statements of income.

InRetail Real Estate manages the exchange rate risk by monitoring and controlling the values of the exchange position that is not significant in Soles (functional currency) exposed to the movements in the exchange rates. InRetail Real Estate measures its yield in 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 consolidated 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 December 31, 2017 and 2016, in its monetary assets and liabilities and its estimated cash flows. The analysis determines the effect of a reasonably possible change of the US dollar exchange rate, considering other variables to be constant in the consolidated statement of income. Any negative amount shows a potential net decrease in the consolidated statement of income, while a positive amount reflects a net potential increase.

		Income (expense)	
Sensitivity analysis	**Change in exchange rates** %	**2017** S/(000)	**2016** S/(000)
Devaluation -			
US Dollars	5	1,227	11,741
US Dollars	10	2,453	23,482
Revaluation -			
US Dollars	5	(1,227)	(11,741)
US Dollars	10	(2,453)	(23,482)

(b) Credit risk –

It is the risk that a counterparty could not comply with its obligations regarding a financial instrument or sales contract, thus generating a financial loss. InRetail Real Estate is exposed to credit risk for its operating activities (mainly accounts receivable and loans) and for its financing activities, including bank deposits.

Credit risk related to accounts receivable –
The credit risk of clients is managed by Management, and it is subject to policies, procedures and controls properly established. The pending balances on accounts receivable are reviewed periodically to assure their recovery. As of December 31, 2017 and 2016, InRetail Real Estate has 656 clients, respectively. The maximum exposure to credit risk at the date of the consolidated statement of financial position is the book value of each class of financial asset, see Note 7.

Credit risk related to financial instruments and bank deposits –
The credit risk of bank balances is managed by Management in accordance with the policies of InRetail Real Estate. The investments of cash surpluses are performed through a first-level related financial institution. The maximum exposure to credit risk as of December 31, 2017 and 2016 is the book value of the balances of cash and cash equivalent shown in Note 4.

(c) Liquidity risk –
Liquidity is controlled through the matching of the maturities of assets and liabilities, the obtaining of credit lines and/or maintaining of liquidity surpluses, which allows InRetail Real Estate to develop its activities in a normal way.

Managing liquidity risk implies maintaining sufficient cash and financing availability, through a suitable amount of committed credit sources and the ability to settle transactions, mainly of indebtedness. In this matter, Management directs its efforts to maintain financing sources through the availability of credit lines.

The following table shows the maturity of the obligations contracted by InRetail Real Estate at the date of the conso
and the amounts to disburse at their maturities, based on non-discounted payments that will be made:

	Less than 3 months S/(000)	More than 3 months and less than 1 year S/(000)	More than 1 yea and less than 5 years S/(000)
As of December 31, 2017			
Financial obligations (*)			
Principal amortization	15,162	30,047	1,010,994
Cash flow for interest payment	24,912	69,998	253,048
Trade payables	32,764	7,612	29
Accounts payable to related parties	623	22,732	-
Other liabilities	53,460	7,189	11,410
	126,921	137,578	1,275,481
As of December 31, 2016			
Financial obligations (*)			
Principal amortization	10,943	28,837	1,136,152
Cash flow for interest payment	25,029	74,814	284,919
Trade payables	20,257	10,915	-
Accounts payable to related parties	1,114	3,929	-
Other liabilities	41,372	31,449	23,336
	98,715	149,944	1,444,407

(*) It does not include the balance of the disbursements made by structuring costs.

(d) Real estate risk -

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

The following properties are deemed as assets subject to real estate risk:

- Properties on which real rights exist, both those used for investing purposes and those for own use.
- Securities representative of shares of real estate companies, which are those that generate periodic income from this activity or are dedicated to real estate investing.
- Certificates of participation in collective schemes of real estate investments, both private and public.
- Participations in real estate trusts.

InRetail Real Estate has identified the following risks associated to the real estate investment portfolio:

- The cost of the development projects can increase if there are delays in the planning process. InRetail Real Estate receives services from experts for the requirements of specific planning at the project's location in order to reduce the risks that could arise in the planning process.

- An important tenant can become insolvent, thus generating a significant loss in rental income and a decrease in the value of the associated property. To reduce this risk, InRetail Real Estate reviews the financial situation of all the possible tenants and decides on the suitable level of security needed, such as lease deposits of guarantees.

- The exposure of the fair values of the real estate property portfolio, as well as the cash flows generated by occupants and/or tenants.

30. Fair value of financial instruments –

Fair value is defined as the amount at which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction, assuming an on-going enterprise.

When a financial instrument is traded on an active and liquid market, its quoted market price in an actual transaction provides the best evidence of its fair value. When a quoted market price is not available, or may not be indicative of the fair value of the financial instrument, to determine such fair value it is possible to use the current fair value of another financial instrument that is substantially similar, discounted cash flow analysis or other techniques applicable thereto, all of which are significantly affected by the assumptions applied. Although Management uses its best judgment in estimating the fair value of these financial instruments, there are inherent weaknesses in any estimation technique. As a result, the fair value may not be indicative of the net realizable value or settlement value of the financial instruments.

The following methods and assumptions were used to estimate the fair values of the financial instruments:

(a) Financial Instruments whose fair value is similar to their book value -

For financial assets and liabilities that are liquid or have short-term maturities (less than three months), such as cash and cash equivalents, trade receivables, accounts receivable from related parties and other receivables, trade accounts payable and other current liabilities, it is deemed that their book values are similar to their fair values.

(b) Financial instruments at fixed rate –

The fair value of the financial assets and liabilities at fixed rate and at amortized cost is determined by comparing the market interest rate at the moment of their initial recognition to the current market rates related to similar financial instruments. The estimated fair value of financial obligations that accrue interests is determined through discounted cash flows by using the currently available rates for debts with similar conditions, credit risk and maturities.

On the basis of the criteria mentioned before, following is a comparison between the book value and fair value of the financial instruments held by InRetail Real Estate in its consolidated financial statements:

	2017		2016	
	Book value S/(000)	Fair value S/(000)	Book value S/(000)	Fair value S/(000)
Financial assets -				
Cash and cash equivalents	56,025	56,025	48,885	48,885
Investments at fair value through profit or loss	202,047	202,047	90,334	90,334
Investments at fair value through other comprehensive income	56,403	56,403	57,470	57,470
Trade receivables	25,971	25,971	30,034	30,034
Accounts receivable from related parties	52,341	52,341	46,146	46,146
Other receivables, net	22,866	22,866	18,439	18,439
Derivative financial instruments – "Call spread"	30,279	30,279	55,908	55,908
Financial liabilities -				
Trade payables	40,405	40,405	31,172	31,172
Accounts payable to related parties	23,355	23,355	5,043	5,043
Other liabilities	80,259	79,419	96,157	99,365
Financial obligations	1,192,809	1,221,178	1,256,637	1,267,211

31. Subsequent events

On January 19, 2018, Patrimonio en Fidecomiso – D.S. N° 093-2002-EF Interproperties Holding II acquired Pucallpa Shopping Center Project for approximately S/180,000,000 and purchased 562,499 shares of Central Station Shopping Center for approximately S/2,079,845 equivalent to 74.99% stake in its capital stock, both to Interseguro, a related entity and purchased Land Lurin 2 from Interseguro for approximately S/12,000,000.

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