Management's Discussion and Analysis of Financial Condition and Results of Operations

First Quarter 2015

May, 2015

Index

I. Overview

Intercorp is a holding company for one of Peru's largest business groups. Focused on Peru's growing middle class that provide a variety of services to satisfy consumers' evolving preferences for modern goods and services. Intercorp's cash flows are primarily generated by dividends from subsidiaries. Intercorp's businesses are mainly focused on three industries: financial services; retail (including shopping malls); and education. Intercorp manage their businesses primarily through two principal holding companies, IFS and Intercorp Retail.

IFS is a leading provider of financial services in the fast-growing, underpenetrated and profitable Peruvian financial system. With one of the largest distribution networks in Peru (as measured by the number of financial stores, ATMs, correspondent agents and sales force), IFS provides a wide range of products spanning banking, insurance and wealth management services to individual and commercial clients, through its main subsidiaries: Interbank, a universal bank; Interseguro, an insurance company; and Inteligo, a wealth management services provider. IFS' subsidiaries are managed with a coordinated strategy focusing on specific businesses that we believe offer high growth, high margin opportunities.

Intercorp Retail is the holding company for retail and shopping malls businesses. Intercorp Retail controls InRetail Peru. InRetail Peru owns: a leading supermarket chain, Supermercados Peruanos; the largest pharmacy chain, InkaFarma; and the largest developer and operator of shopping malls operating under the Real Plaza brand. Separately, Intercorp Retail also controls other retail businesses, such as Promart, chain of home improvement stores, Oechsle, department store chain, and Financiera Uno, a consumer financing company.

Intercorp began investing in education in 2010 and are rapidly expanding their footprint into this sector. Their education businesses, Innova Schools, UTP and IPAE, are operated through other subsidiaries within Intercorp's corporate structure. Innova Schools is a scalable network of private K-12 schools operating in 29 locations across Peru. UTP consists of a university and a technical school, with more than 30,000 students and approximately 700 classrooms and labs at 24 locations in Peru (20 in Lima). IPAE complements our education portfolio with a technical school focused on specialized business careers.

II. Results Analysis

The table below details Intercorp's assets and equity in its main businesses as of March 31, 2015 and December 31, 2014.

	As of March 31, 2015				As of December 31, 2014			
	Assets		Equity		Assets		Equity	
	(S/. in millions)	%	(S/. in millions)	%	(S/. in millions)	%	(S/. in millions)	%
IFS								
Interbank (banking)……	35,072.1	66.7%	3,168.9	40.7%	32,904.9	65.5%	3,276.2	42.5%
Interseguro (insurance)……	4,849.1	9.2%	469.5	6.0%	4,746.7	9.4%	691.4	9.0%
Inteligo (wealth management)……	3,202.6	6.1%	515.5	6.6%	2,942.0	5.9%	478.6	6.2%
IFS (holding company) and eliminations……	-562.8	-1.1%	332.3	4.3%	-217.2	-0.4%	-144.0	-1.9%
Total IFS……	42,561.1	81%	4,486.2	57.6%	40,376.3	80.4%	4,302.3	55.8%
Intercorp Retail								
Supermercados Peruanos (supermarkets)……	2,511.7	4.8%	901.6	11.6%	2,556.5	5.1%	902.3	11.7%
Inkafarma (pharmacies)……	681.0	1.3%	120.9	1.6%	692.1	1.4%	126.1	1.6%
InRetail Shopping Malls (shopping malls)……	3,139.4	6.0%	1,761.4	22.6%	3,106.5	6.2%	1,748.5	22.7%
Other (1)……	3,014.0	5.7%	1,064.8	13.7%	3,110.7	6.2%	1,068.7	13.8%
Total Intercorp Retail……	9,346.1	17.8%	3,848.7	49.4%	9,465.9	18.8%	3,845.6	49.8%
Other subsidiaries/Intercorp (holding company) and eliminations……	681.6	1.3%	-551.6	-7.1%	407.8	0.8%	-430.9	-5.6%
Total Consolidated……	52,588.8	100%	7,783.3	100%	50,250.0	100%	7,716.9	100%

(1) Includes assets and equity attributed to Intercorp Retail as a holding company and other immaterial subsidiaries of Intercorp Retail

i. Intercorp

As a holding company, Intercorp is dependent on its subsidiaries' results of operations for its earnings and cash flows. The following discussion includes the results of operations of Intercorp's subsidiaries that provide the substantial majority of the contribution to its net profit and dividend inflows

The following table presents information of the unconsolidated income statement regarding the contributions attributable to Intercorp, based on its equity ownership for the three months ended March 31, 2015 and 2014.

	For the three months ended March 31,		Change	
	2015	2014		
	(S/. millions)		(S/. in millions)	%
IFS				
Banking	156.8	113.3	43.5	38.4%
Insurance	25.9	-41.1	67.0	N/M
Wealth Management	22.7	48.6	-26.0	-53.4%
IFS expenses and eliminations	-9.4	-10.6	1.2	-11.3%
Total IFS	**195.9**	**110.2**	**85.7**	**77.8%**
Intercorp Retail				
Supermarkets	-0.5	6.6	-7.1	N/M
Pharmacies	17.4	14.9	2.5	16.8%
Shopping malls	7.3	10.9	-3.5	-32.6%
Other subsidiaries / holding company and eliminations	-46.6	-27.5	-19.2	69.8%
Total Intercorp Retail	**-22.3**	**4.9**	**-27.3**	**N/M**
Other subsidiaries	-4.8	-9.6	4.7	-49.5%
Net profit attributable to Intercorp	**168.7**	**105.5**	**63.2**	**59.9%**
Financial income	0.5	0.9	-0.4	-46.4%
Financial expenses	-52.8	-19.8	-33.0	166.5%
General expenses	-5.7	-3.3	-2.3	70.4%
Other income (expenses), net	-8.4	-1.8	-6.6	365.1%
Foreign exchange gain (loss), net	-32.3	-3.9	-28.4	719.1%
Income (expenses)	**-98.6**	**-28.0**	**-70.7**	**252.7%**
Net profit	**70.1**	**77.5**	**-7.5**	**-9.6%**

For the three months ended March 31, 2015, Intercorp´s net profit was S/. 70.1 million in 2015, a decrease of S/. 7.5 million compared to the same period in 2014. The decline in profit was driven by the increase in Intercorp´s own expenses by S/.70.7 million, partially offset by the increase in net profit attributable from its subsidiaries by S/.63.2 million.

Intercorp´s financial expenses were higher in S/.33.0 million this quarter, due to the premium paid in the process of refinancing Intercorp Peru Notes due 2019[1.] Foreign exchange losses amounted to S/.32.3 million due to the depreciation of the sol against the dollar in the first quarter of 2015.

[1] On February 2015 Intercorp issued US$98.5 million of a 15 year PEN equivalent bond, and US$250 million of 10 year US$ Senior Unsecured Notes. With the proceeds of the US$ notes Intercorp refinanced US$ 250 million of US$ 2019 Senior notes.

On the other hand, the net profit attributable from subsidiaries increased S/.63.2 million in the first quarter of 2015 compared to the same period in 2014, explained by higher profits from IFS (S/. 85.7 million).

ii. IFS

The table below sets forth the main components of IFS' consolidated income statement for the three months ended March 31, 2015 and 2014.

	For the three months ended March 31,		Change	
	2015	2014	(S/. in millions)	%
	(S/. millions)			
Interest and similar income	753.5	660.9	92.6	14.0%
Interest and similar expense	-207.7	-185.3	-22.4	12.1%
Net interest and similar income	**545.8**	**475.6**	**70.2**	**14.8%**
Provision for loan losses, net of recoveries	-148.8	-103.8	-45	43.3%
Net interest and similar income after provision for loan losses	**397.0**	**371.8**	**25.2**	**6.8%**
Fee income from financial services, net	194.8	161.9	32.9	20.3%
Other income	171.7	127.8	43.9	34.4%
Total premiums earned less claims and benefits	-12.0	-88.3	76.3	-86.4%
Other expenses	-399.9	-377.3	-22.6	6.0%
Income before translation result and income tax	**351.6**	**195.8**	**155.8**	**79.5%**
Translation result	-10.6	-0.4	-10.2	N/M
Income tax	-78.1	-60.7	-17.4	28.7%
Profit for the period	**262.9**	**134.7**	**128.2**	**95.1%**
Profit excl. non-recurring factors	**262.9**	**134.7**	**128.2**	**95.1%**
Attributable to equity holders of the group (1)	**261.2**	**133.7**	**127.5**	**95.4%**
EPS	**2.39**	**1.22**		
ROAE	**23.9%**	**14.4%**		

(1)(1) Starting December 31, 2014, Interseguro began consolidating a real estate investment shared by Interseguro and Intercorp Real Estate Inc, a subsidiary of Intercorp. Intercorp RE's part is then reported as attributable to non-controlling interest.

Profits attributable to shareholders were S/261.2 million in the first quarter of 2015, increasing 95.1% compared to the first quarter or 2014, mainly explained by strong performances at Interbank and Interseguro

There were increases of 23.6% in net premiums, of 20.4% in fee income from financial services, net and of 14.8% in net interest and similar income. Such growths were partially offset by increases of 43.3% in provisions and 6.0% in other expenses.

IFS' Subsidiaries

The following discussion details the results of operations of each of IFS's three subsidiaries: Interbank, Interseguro and Inteligo.

Interbank

The table below details selected financial information for Interbank for the three months ended March 31, 2015 and 2014.

	For the three months ended March 31,		Change	
	2015	2014	(S/. in millions)	%
	(S/. millions)			
Interest and similar income	668.6	593.3	75.3	12.7%
Interest and similar expense	-191.5	-171.7	-19.8	11.5%
Net interest and similar income	**477.1**	**421.6**	**55.5**	**13.2%**
Provision for loan losses, net of recoveries	-148.8	-103.8	-45	43.3%
Net interest and similar income after provision for loan losses	**328.3**	**317.8**	**10.5**	**3.3%**
Fee income from financial services, net	173.2	150.6	22.6	15.0%
Other income	125.1	68.4	56.7	82.9%
Other expenses	-340.3	-320.8	-19.5	6.1%
Income before translation result and income tax	**286.2**	**215.9**	**70.3**	**32.6%**
Translation result	-12.4	-0.8	-11.6	N/M
Income tax	-68.6	-56.7	-11.9	21.0%
Profit for the period	**205.2**	**158.3**	**46.9**	**29.6%**
Profit excl. non-recurring factors	**205.2**	**158.3**	**46.9**	**29.6%**
ROAE	**25.5%**	**23.1%**		
Efficiency ratio	**42.3%**	**46.3%**		
NIM	**6.27%**	**5.94%**		

Interbank's profits reached S/. 205.2 million in the first quarter of 2015, a S/. 46.9 million increase compared to the same quarter of 2014.The annual growth in net profit was due to a S/. 55.5 million increase in net interest and similar income and a S/. 56.7 million growth in other income, which were partially offset by a S/. 45.0 million increase in provision expenses.

Net interest and similar income grew 13.2% due to an increase of 12.7% in interest and similar income, partially offset by a 11.5% rise in interest and similar expense.

The growth in interest and similar income was due to increases of 13.1% in interest on loans and 17.9% in interest on investments available for sale, partially offset by a 60.8% reduction in interest due from banks and inter-bank funds.

The S/. 74.5 million growth in interest on loans was explained by increases of 10.2% in the average loan volume and 30 basis points in the average yield, from 11.2% in 1Q14 to 11.5% in 1Q15. Growth in average volume was due to increases of 16.4% in the retail portfolio and 3.2% in the commercial portfolio. The higher average yield was explained by increases of 40 basis points in the average rate of the retail portfolio and 10 basis points in the commercial portfolio, as well as a higher proportion of retail loans within the total loan portfolio. Interest on investments available for sale increased by S/. 3.3 million, or 17.9%, as a result of a higher average volume which was partially offset by a lower nominal average rate.

The nominal average rate on interest-earning assets was 8.8% in 1Q15, a 40 basis point increase with respect to the 8.4% registered in 1Q14, mainly as a result of the higher yield in the loan portfolio and its higher proportion within total interest-earning assets.

Interest and similar expense increased 11.5% due to growths of 37.5% in interest on bonds, notes and other obligations, and 8.7% in interest due to banks and correspondents. Such increases were partly offset by a 3.9% decrease in interest on deposits and obligations.

Interest on bonds, notes and other obligations increased by S/. 19.7 million, or 37.5%, mainly as a result of a 22.3% increase in the average volume and a higher nominal average cost. The issuance of a subordinated bond for US$300.0 million in March 2014 was the main reason behind the effect of a higher volume on higher interest expense. The increase in the nominal average cost, from 6.0% in 1Q14 to 6.7% in 1Q15, was also attributable to the subordinated bond issuance.

The increase in interest due to banks and correspondents was explained by a 25.2% growth in the average volume, partly offset by a 70 basis points decline in the average cost. Interest on deposits and obligations decreased by S/. 3.2 million mainly attributable to a slight decrease in the nominal average cost and a 0.1% decline in the average volume.

The average cost of funds increased from 2.9% in 1Q14 to 3.1% in 1Q15, mainly as a result of two effects, the higher nominal average rate on bonds and the fact that they represented a larger portion of the total funding base.

Other income grew by S/. 56.7 million as a result of a more than two-fold increase in net gain on foreign exchange transactions, which was mainly due to higher income from forward foreign exchange agreements with clients. Such increase was partially offset by a reduction in net trading income, which was mainly driven by derivatives instruments that were negatively affected by the appreciation of the U.S. dollar against the Nuevo sol.

Provision expenses increased 43.3% mainly as a result of higher provisioning in both retail and commercial loans, driven by loan growth in the first case and by asset quality deterioration in mortgages, SMEs and specific corporate clients

Interseguro

The table below details selected financial information for Interseguro for the three months ended March 31, 2015 and 2014.

	For the three months ended March 31,		Change	
	2015	2014	(S/. in millions)	%
	(S/. millions)			
Interest and similar income	53.3	42.6	10.7	25.1%
Fee income from financial services, net	-0.7	-0.6	-0.1	20.7%
Other income	41.0	28.3	12.7	44.9%
Total premiums earned less claims and benefits	-12.0	-88.3	76.3	-86.4%
Other expenses	-47.4	-38.9	-8.5	21.9%
Income before translation result and income tax	**34.2**	**-56.8**	**91.0**	**N/M**
Translation result	-0.7	-0.2	-0.5	197.0%
Income tax	0.2	-	N/M	N/M
Profit for the period	**33.8**	**-57.0**	**90.8**	**N/M**
Attributable to non-controlling interest (1)	-0.2	0.0	-0.19	N/M
Profit attributable to shareholders	**33.6**	**-57.1**	**90.7**	**N/M**
Discount rate impacts on technical reserves	28.0	-56.6	84.6	N/M
Profit excluding discount rate impacts	**5.6**	**-0.5**	**6.1**	**N/M**
EPS	**23.30**	**49.9%**		
ROAE	**16.9%**	**70.3%**		

(1) Starting December 31, 2014 , Interseguro began consolidating a real estate investment shared by Interseguro and Intercorp Real Estate Inc, a subsidiary of Intercorp. Intercorp RE's part is then reported as attributable to non-controlling interest.

Interseguro's profit attributable to shareholders in the first quarter of 2015 was S/. 33.6 million, an increase of S/. 90.7 million compared to the corresponding period of 2014.

The increase was mainly due to a S/. 76.3 million increase in total premiums earned less claims and benefits and a S/. 10.7 million increase in interest and similar income driven by the growth of Interseguro's investment portfolio.

Total premiums earned less claims and benefits

	For the three months ended March 31,		Change
	2015	2014	
	(S/. millions)		%
Net premium	165.3	204.3	23.6%
Adjustment of technical reserves	-202.7	-156.5	-22.8%
Net claims and benefits incurred	-50.9	-59.9	17.6%
Total premiums earned less claims and benefits	**-88.3**	**-12.1**	**-86.4%**

The growth in net premiums was mainly attributable to higher Annuities and Retail Insurance premiums. The increase in Annuities was achieved by Interseguro's leadership position in a market that increased 26.9%. The increase in Retail Insurance was due to higher Credit Life Insurance premiums.

The adjustment of technical reserves in 1Q15 was lower in S/.46.2 million compared to 1Q14, driven by changes in the weighted average discount rates, as in 1Q15 these changes led to a release of technical reserves whereas in 1Q14 they constituted higher technical reserves.

The growth in interest and similar income was mainly due to an increase in interest on investments available-for-sale as a result of a 26.5% increase in the average volume of Interseguro's investment portfolio and a 2 basis point increase in the nominal average rate.

Inteligo

The table below details selected financial information for Inteligo for the three months ended March 31, 2015 and 2014.

	For the three months ended March 31,		Change	
	2015	2014	(S/. in millions)	%
	(S/. millions)			
Interest and similar income	27.7	23.0	4.7	20.6%
Interest and similar expense	-13.4	-12.5	-0.9	6.8%
Net interest and similar income	**14.3**	**10.4**	**3.9**	**37.3%**
Fee income from financial services, net	31.2	19.7	11.5	58.7%
Other income	8.5	34.0	-25.5	-75.0%
Other expenses	-17.9	-16.1	-1.8	11.0%
Income before translation result and income tax	**36.2**	**48.0**	**-11.8**	**-24.6%**
Translation result	0.0	0.2	-0.2	-116.0%
Income tax	0.0	0.0	0.0	N/M
Profit for the period	**36.1**	**48.2**	**-12.1**	**-25.0%**
ROAE	**29.1%**	**41.1%**		
Efficiency ratio	**33.1%**	**25.2%**		

Inteligo's net profit in 1Q15 was S/. 36.1 million, a S/. 12.1 million decrease versus 1Q14, mainly attributable to a lower net gain on sale of securities.

Net interest and similar income increased by S/. 3.9 million or 37.3% when compared to the same period in the previous year. Interest and similar income increased by S/. 4.7 million or 20.6% in the first quarter of 2015, mainly attributable to higher income on available for sale investments and higher interest on loans as a result of an increase in the average volume of Inteligo's loan portfolio.

Inteligo's net fee income from financial services increased by S/. 11.5 million or 58.7%. Such growth was attributable to income from funds management services which increased 76.4%. Other income decreased by S/. 25.5 million in 1Q15 compared to 1Q14, mainly attributable to a lower net gain on sale of securities.

Inteligo's other expenses reached S/. 17.9 million in 1Q15, an increase of S/. 1.8 million or 11.0%. This was attributable to higher administrative expenses, which increased by S/. 0.9 million in 1Q15 due to higher third-party related services.

iii. Intercorp Retail

The table below sets forth the main components of Intercorp Retail's consolidated income statement for the three months ended March 31, 2015 and 2014.

	For the three months ended March 31,		Change	
	2015	2014		
	(S/. in millions)		(S/. in millions)	%
Total Revenues	1,977.9	1,702.5	275.4	16.2%
Cost of Sales	-1,395.3	-1,225.8	-169.5	13.8%
Gross Profit	**582.6**	**476.7**	**105.9**	**22.2%**
Selling Expenses	-388.6	-339.7	-48.8	14.4%
Administrative Expenses	-87.4	-77.6	-9.7	12.5%
Other Income (expense)	7.0	21.7	-14.7	-67.8%
Operating profit	**113.7**	**81.1**	**32.6**	**40.3%**
Financial income (expense), net	-129.2	-60.9	-68.3	112.2%
Income tax expense	-11.2	-18.1	6.9	-38.1%
Net profit (loss)	**-26.7**	**2.1**	**-28.8**	**N/M**
Attribuible to:				
Intercorp Retail's shareholders	-14.2	2.6	-16.7	N/M
Minority Interest	-12.5	-0.5	-12.0	2340.7%
Adjusted EBITDA	**161.0**	**104.6**	**56.5**	**54.0%**
Adjusted EBITDA Margin	8.1%	6.1%	-	-

Intercorp Retail reported net loss of S/.26.7 million for the three months ended March 31, 2015, representing a decrease of S/.28.8 million when compared to the net income in the corresponding period in 2014, as a result of foreign exchange losses despite an increase in operating profit.

Intercorp Retail's gross profit increased 22.2% for the three months ended March 31, 2015 when compared to the corresponding period in 2014. This growth was primarily the result of new store openings, same store sales growth and increases in GLA by its main operating subsidiaries.

Intercorp Retail's Subsidiaries

The following discussion details the results of operations of Intercorp Retail's primary subsidiaries: Supermercados Peruanos, InkaFarma and InRetail Shopping Malls. Intercorp Retail's earnings from Supermercados, InkaFarma and InRetail Shopping Malls were partially offset by losses from our other retail business held through Intercorp Retail. We do not present detailed financial information from our other retail, education and other related businesses because they do not contribute materially to Intercorp's financial results.

Supermercados Peruanos

The table below details selected financial information for Supermercados Peruanos for the three months ended March 31, 2015 and 2014.

	For the three months ended March 31,		Change	
	2015	2014		
	(S/. in millions)		(S/. in millions)	%
Total Revenues	972.8	869.0	103.8	11.9%
Cost of Sales	-722.3	-650.4	-72.0	11.1%
Gross Profit	**250.5**	**218.7**	**31.8**	**14.6%**
Selling Expenses	-196.1	-176.2	-19.8	11.2%
Administrative Expenses	-23.0	-20.4	-2.6	12.8%
Other Income (expense)	-0.8	10.9	-11.7	N/M
Operating profit	**30.6**	**32.9**	**-2.3**	**-7.1%**
Financial income (expense), net	-29.4	-19.3	-10.1	52.1%
Income tax expense	-1.9	-4.2	2.3	-54.3%
Net profit (loss)	**-0.7**	**9.4**	**-10.1**	**N/M**
Adjusted EBITDA	**56.8**	**54.6**	**2.3**	**4.2%**
Adjusted EBITDA Margin	5.8%	6.3%	-	-

Supermercados Peruanos reported a S/.0.7 million net loss for the three months ended March 31, 2015 compared to a net income of S/.9.4 million in the corresponding period of 2014. This decrease was mainly generated by a reduction in the operating profit due to an extraordinary income of S/ 11.1 million registered during the three months ended March 31, 2014 and a S/ 10.1 million increase in financial income (expense), net as a result of higher foreign exchange losses, despite lower financial expenses.

The increase in gross profit was primarily the result of revenue growth driven by same store sales growth of 5.6% and 4 additional supermarkets since March 31, 2014 (representing an increase in sales area of approximately 24,018 square meters, or 9.7%). Additionally, gross margin increased from 25.2% to 25.8% due to more efficient promotional campaigns and higher commercial and logistic contributions from suppliers.

Supermercados Peruanos' selling and administrative expenses increased 11.4% in the three months ended March 31, 2015 as compared to the corresponding period in 2014, due to higher operational and depreciation expenses from 24,018 sqm of additional sales area since March 31, 2014, despite lower logistic expenses. As a percentage of supermarket revenues, selling and administrative expenses decreased from 22.6% to 22.5%.This is mainly explained by an increase in employee productivity and logistic efficiencies.

InkaFarma

The table below details selected financial information for InkaFarma for the three months ended March 31, 2015 and 2014.

	For the three months ended March 31,		Change	
	2015	2014		
	(S/. in millions)		(S/. in millions)	%
Total Revenues	549.7	483.3	66.4	13.7%
Cost of Sales	-377.4	-333.4	-44.0	13.2%
Gross Profit	**172.3**	**149.9**	**22.4**	**14.9%**
Selling Expenses	-121.6	-105.8	-15.9	15.0%
Administrative Expenses	-14.1	-11.8	-2.3	19.3%
Other Income (expense)	0.1	0.5	-0.4	**-79.2%**
Operating profit	**36.7**	**32.9**	**3.8**	**11.6%**
Financial income (expense), net	-0.9	-0.9	0.0	-2.4%
Income tax expense	-11.0	-10.7	-0.3	2.6%
Net profit (loss)	**24.8**	**21.3**	**3.6**	**16.8%**
Adjusted EBITDA	**44.8**	**38.7**	**6.1**	**15.9%**
Adjusted EBITDA Margin	8.2%	8.0%	-	-

InkaFarma's net profit for the three months ended March 31, 2015 increased 16.8% compared to the corresponding period in 2014. This increase was mainly due to an increase in gross profit.

InkaFarma's gross profit increased 14.9% in the three months ended March 31, 2015 compared to the corresponding period in 2014. This increase was driven by same store sales growth of 6.4% and 107 additional stores in operation since March 31, 2014 (representing a 14.6% increase in number of stores). Additionally, gross margin improved from 31.0% to 31.3% mainly due a change in the mix of products sold.

InkaFarma's selling and administrative expenses grew S/.18.2 million, or 15.4%, in the three months ended March 31, 2015, compared to the same period in 2014, mainly due to higher operational expenses from 107 additional stores in operation since March 31, 2014, which are in their ramp up period, an increase in personnel incentives and higher depreciation expenses related to the new distribution center, despite savings obtained in marketing expenses due to better terms with media channels. As a percentage of pharmacies revenues, selling and administrative expenses increased from 24.3% to 24.7%.

InRetail Shopping Malls

The table below details selected financial information for InRetail Shopping Malls for the three months ended March 31, 2015 and 2014.

	For the three months ended March 31,		Change	
	2015	2014		
	(S/. in millions)		(S/. in millions)	%
Total Revenues	102.8	66.0	36.7	55.6%
Cost of Sales	-32.1	-23.7	-8.4	35.7%
Gross Profit	**70.6**	**42.3**	**28.3**	**66.8%**
Selling Expenses	-1.9	-1.5	-0.3	22.8%
Administrative Expenses	-6.1	-5.0	-1.0	20.4%
Other Income (expense)	6.1	4.2	1.9	44.8%
Operating profit	**68.8**	**40.0**	**28.8**	**72.0%**
Financial income (expense), net	-51.9	-18.1	-33.8	186.8%
Income tax expense	-4.1	-6.8	2.7	-39.6%
Net profit (loss)	**12.9**	**15.1**	**-2.3**	**-15.0%**
Adjusted EBITDA	**63.3**	**36.3**	**27.0**	**74.4%**
Adjusted EBITDA / Net Rental Income	**82.9%**	**77.3%**	**-**	**-**

InRetail Shopping Malls' net profit for the three months ended March 31, 2015 decreased by S/.2.3 million as compared to the corresponding period in 2014, as a result of foreign exchange losses and higher financial expenses due to an increase in financial obligations, partially compensated by an increase in operating profit.

InRetail Shopping Malls revenues, which are mainly rental income from property investments, grew S/.36.7 million, or 55.6% in the three months ended March 31, 2015, compared to the same period in 2014, due to the revenue contribution from two additional malls: Real Plaza Salaverry opened in May 2014 (72k sqm) and Real Plaza Centro Civico acquired in August 2014 (41k sqm); and an increase in revenues from existing shopping malls and shopping malls expansions since March 31,2014 (a total of 132,809 sqm of additional GLA, or a 31.2% increase over the past 12 months).

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 rendering of services. InRetail Shopping malls net rental income increased from S/.46.9 million in the three months ended March 31, 2014 to S/.76.3 million in the same period in 2015 (a growth of 62.5%).

InRetail Shopping Malls selling and administrative expenses increased S/.1.4 million, or 20.9% in the three months ended March 31, 2015 compared to the same period in 2014. The main factors that impacted the selling and administrative expenses were the opening and operation of two additional shopping malls and shopping mall expansions, a total of 132,809 sqm of additional GLA since the March 31, 2014. As a percentage of shopping malls revenues, selling and administrative expenses decreased from 9.9% in the three months ended March 31, 2014 to 7.7% in the same period in 2015, mainly due to cost dilution and operational efficiencies.

InRetail Shopping Malls' investment properties are marked to fair market value quarterly. Fair value adjustments to investment properties for the three months ended March 31, 2015 were S/.6.2 million, as compared to S/.4.2 million for the corresponding period in 2014. This gain was generated primarily to shopping mall expansions.

III. Other financial information

i. Liquidity and Capital Resources

Intercorp's main source of cash flows is dividends received from its subsidiaries. Substantially all of Intercorp's dividends have been contributed by IFS and its subsidiaries. Intercorp also receives distributions and other proceeds from investments in the ordinary course of business. Its main uses of funds have been investments in subsidiaries, particularly in Intercorp Retail and in Intercorp's subsidiaries focused on education services, the payment of interest on its financial obligations and the payment of dividends to its shareholders. Intercorp typically pays dividends to its shareholders in four quarterly installments after such dividends are declared at its annual general shareholders meeting. The table below provides information regarding the cash flows of Intercorp

	For the three months ended March 31,	
	2015	**2014**
	(S/. millions)	
Operating activities		
Net income	70.1	77.5
Adjustments to reconcile net income to net cash		
Share of profit in Subsidiaries	-168.7	-105.5
Accounts receivable	-4.1	-1.2
Other payments, net	-36.5	23.1
Net cash used in operating activities	**-139.2**	**-6.1**
Investing activities		
Loans collected from related parties	-4.0	10.5
Capital contribution to subsidiaries, net of capital reduction	-5.6	-45.4
Purchase of available-for-sale investments	-63.5	-21.4
Net cash provided by investing activities	**-73.1**	**-56.4**
Financing activities		
Issuance (payment) of notes	-42.0	-
Issuance (payment) of corporate bonds	302.5	-
Loans received from (paid to) subsidiaries, net	-67.3	69.5
Payment of dividends	-18.7	-14.0
Net cash used in financing activities	**174.5**	**55.5**
Net cash (decrease) increase	**-37.8**	**-7.0**
Balance of cash at the beginning of period	**63.9**	**7.6**
Balance of cash at the end of period	**26.1**	**0.6**

Net cash used in operating activities decreased by S/.133.2 million during the three months ended March 31, 2015 when compared to the corresponding period in 2014. This was mainly driven by the expenses regarding a non-recurring transaction (the refinance of the 2019 bonds). All interests due and a premium were paid for the early repayment of the corporate bonds, and there were cash outflows related to the issuance of the new bonds due 2025 (mainly fees).

Net cash provided by investing activities decreased by S/.16.7million during the three months ended March 31, 2015 when compared to the corresponding period in 2014. This decrease was primarily driven by purchase of available-for-sale investments of Peruvian Government Bonds partially offset by lower investment in subsidiaries.

Net cash from financing activities increased by S/. 119.0 million during the three months ended March 31, 2015 when compared to the corresponding period in 2014. This increase was explained by the Issuance of S/.301.5 million in soles notes, partially offset by the payment of loans to subsidiaries this quarter, while in 2014 Intercorp received loans from them.

ii. Dividends Received by Intercorp

Intercorp has not received dividends from its subsidiary IFS during the first quarter of 2015. IFS distributes its dividends in the second quarter of each year. However, as of march 31, 2015 IFS has received dividends from Interseguro (one of its three subsidiaries) amounting to S/.207.1 million (before taxes on dividends), which corresponds to 100% of the net profit of the previous fiscal year.

iii. Indebtedness

Unconsolidated

As of March 31, 2014, Intercorp had S/.1,379.9 million (US$445.7 million) of unconsolidated outstanding obligations (excluding interest, provisions and other accounts payable) consisting of: S/.1,057.0 million of long-term indebtedness comprised of S/.755.5 million (US$.250 million) of the Senior Notes due 2025 and S/.301.5 million of the Senior Notes due 2030, and short-term indebtedness consisting of S/. 322.9 million consisting of S/. 83.6 million of outstanding junior notes that were issued in 2014 and S/.239.3 million of accounts payable to its subsidiaries. As of the same date, Intercorp had guaranteed up to US$146.7 million of indebtedness in favor of un-affiliated third parties of its subsidiaries Tiendas Peruanas, Homecenters Peruanos, Colegios Peruanos, Financiera Uno and Club de Socios US$127.0 million of which was outstanding and the remainder of which consisted of debt commitments that are not yet outstanding indebtedness