Los Portales

Mejoramos tu ciudad, mejoramos tu vida

Annual Results - 2014

Lima, Peru, April 15, 2014 – Los Portales S.A. ("Los Portales", "The Company" or "LPSA") (Lima Stock Exchange: PORTAC1), a leading Peruvian real estate company that offers a wide variety of products (land development, housing, parking lots, hotels, and shopping centers) in seventeen cities within eleven regions of Peru, announces its 2014 full year results. All figures have been prepared in accordance with IFRS (International Financial Reporting Standards) and expressed in Peruvian *Nuevos Soles* (S/.).

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1. Corporate Information

We are a leading Peruvian real estate company, equally controlled by Empresas ICA S.A.B de C.V (Mexico), which owns 50% of our capital stock, and GR Holding S.A. (Peru), which owns the remaining 50% of our capital stock. We offer a wide variety of products and services to customers with different socioeconomic backgrounds.

We are recognized as the leading land developer and a leading operator and investor in parking lots in Peru in terms of space, sales and locations. We are also engaged in mid- and low-income housing development and hotel operations. In addition, through Strip Centers del Perú S.A. ("SCP") –an affiliate company jointly owned with Parque Arauco– we develop and operate strip malls and shopping centers in Peru.

We operate in two different segments: real estate sales and real estate rentals. Our real estate sales segment is divided into three categories: (i) land development[1], (ii) non-mortgage financing,[2] and (iii) mid- and low-income housing. Our real estate rentals segment is divided into three categories: (i) parking lots, (ii) hotels, and (iii) strip malls and shopping centers.

Land development remains a core piece of our business. As part of our land development business, we acquire undeveloped plots of land, then obtain all required public works and construction permits, and install public utilities (such as electricity, sewage and drainage) and infrastructure (such as roads, parks and sidewalks)[3]. Subsequently, we subdivide the plots of land into smaller lots and sell those lots to our customers, who will gradually self-build their own homes. We also provide non-mortgage financing solutions (instrumented through lease-type agreements) to the majority of our land development customers under the terms and conditions described in Appendix II.

During 2014, the Company generated S/.667.8 million in revenues (compared to S/.555.6 million during the same period in 2013) and a consolidated adjusted EBITDA[4] of S/.155.8 million (compared to S/.137.5 during the same period in 2013).

As of December 31, 2014 our operations consisted of:

Real Estate	**2013**	**2014**
Launched projects (Units)	35	22
Units sold	5,891	6,516
Average Price (US$)	23,582	26,882

Parking Lots	**2013**	**2014**
Operations (Units)	185	207
Parking spaces (Units)	32,636	40,140
Subscribers (Avg. per month)	6,010	6,777

Hotels	**2013**	**2014**
Operations (Units)	6	6
Rooms (Units)	281	327
Occupancy Rate (% average)	57%	58%

2. Financial Highlights - 2014

(i) Consolidated revenues of S/.667.8 million (S/.555.6 million during 2013).

(ii) Consolidated gross profit of S/.210.9 million (S/.172.2 million in 2013).

(iii) Consolidated adjusted EBITDA of S/.155.8 million (S/.137.5 million during 2013).

(iv) Consolidated net profit was S/.48.4 million (S/. 46.3 million during 2013).

3. Operational Highlights - 2014

(i) International credit ratings achieved: B+/B+ by Standard & Poor's and Fitch.

(ii) Appointment of Eduardo Ibarra Diaz-Ufano as independent member of the Board of Directors.

1 Please refer to Appendix I for a better understanding of the business cycle and the revenue recognition dynamics.

2 LPSA provides non-mortgage financing solutions to land development customers: loan-to-value of 80%, up to maximum 72 months.

3 We refer to such actions as urban habilitation (*habilitación urbana*).

4 Please refer to Appendix III for a reconciliation of Adjusted EBITDA

(iii) LPSA and Parque Arauco entered into a capitalization agreement, whereby we both agreed to make a capital contribution to our joint company, SCP for a total US$ 20 million (US$10 million each).

(iv) Follow up of Short-Term Credit Ratings: Equilibrium (EQ 2+), Class (CLA 1-).

(v) Follow up of Long-Term Credit Ratings (Securitized Bond): Equilibrium (AA-), Apoyo (AA-)

(vi) Registration in Lima Stock Exchange (BVL) of the Third and Fourth Issuance of the First Program of Commercial Papers of Los Portales S.A.

(vii) LPSA successfully placed Commercial Papers:

i. Series D (First Issuance) for US$5.0 @2.4984%,

ii. Series A (Fourth Issuance) for S/. 13.0 million @5.3325%,

iii. Series A (Third Issuance) for US$ 6.0 @2.8078%,

iv. Series B (Third Issuance) for US$ 6.0 million @2.8939%

(viii) We exercised an option agreement to purchase the remaining 50% ownership stake in Genesis & Renwick S.A. ("G&R"), a holding company which owns Peramco Inc, a land development company headquartered in Houston, Texas. Through this indirect acquisition, LPSA will kick-start its land development business abroad through a newly created subsidiary named LP USA Inc.

(ix) New parking lot operation: Jockey Plaza (The most important Shopping Mall in Peru in terms of sales, and the biggest commercial parking lot in terms of spaces).

(x) Development of 46 additional rooms in LP Piura Hotel.

4. Financial information

The following is a summary of financial information as of December 31, 2014 and 2013. The financial and operating data are not necessarily indicative of our future performance.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(S/. thousands)*

	Period	
	2014	**2013**
Revenue from sales ……………………………………..	498,737	411,640
Revenue from rentals and services rendered ……………	126,387	111,974
Interest income ………………………………………..	42,722	32,007
Total revenues ……………………………………….	**667,846**	**555,621**
Cost of sales …………………………………………..	(367,365)	(307,205)
Cost of rentals and services rendered ……………………	(89,554)	(76,206)
Total cost of sales and cost of rentals and services rendered ……………………………………..	**(456,919)**	**(383,411)**
Gross profit …………………………………………..	**210,927**	**172,210**
Selling expenses ……………………………………….	(36,289)	(27,910)
Administrative expenses ………………………………..	(72,473)	(64,498)
Net gain from fair value adjust. on investment property	9,336	33,045
Other income / expenses ………………………………..	6,274	4,949
Operating profit …………………………………….	**117,775**	**117,796**
Finance costs …………………………………………..	(10,645)	(9,984)
Exchange difference, net ………………………………..	(34,623)	(41,345)
Share of profit of investments accounted under the equity method ………………………………………	(3,084)	- 1,228
Profit before income tax ………………………………	**69,423**	**67,695**
Income tax ………………………………………………	(22,942)	(21,358)
Profit for continued operations ………………………	**46,481**	**46,337**
Other profit……………………………………………….	889	
Net profit ………………………………………………	**47,370**	**46,337**
Adjusted EBITDA ………………………………………	**155,753**	**137,520**

Revenue from Sales

Revenue from sales consists of our operating revenues arising from our land development, mid- and low-income housing businesses, and our non-mortgage financing activities during Phase I of our land development process (*i.e.*, between the execution of a sale contract and until the lots are symbolically delivered to our customers. See "*Appendix I: Land development business model*").

Revenue from sales increased 21.2% to S/.498.7 million in 2014 (74.7% of total consolidated revenues) from S/.411.6 million in 2013. This increase was primarily due to a higher number of project deliveries of our land development and multifamily projects. Furthermore, this increase responds to the incorporation of our new subsidiary LP USA Inc. and the corresponding revenue.

Revenue from Rentals and Services Rendered

Revenue from rentals and services rendered consists of operating revenues from our parking lot, hotel, and strip mall and shopping center businesses. Revenue from rentals and services rendered increased 12.9%, to S/.126.4 million in 2014, (18.9% of total consolidated revenues) from S/.112.0 million in in 2013. This increase was primarily due to the growth in our parking lots business, explained by the larger number of parking lots under operation for the observed period (growing from 185 parking lots in 2013 to 207 parking lots in 2014).

Interest Income

Interest income consists of interest payments collected during Phase II of our land development process (*i.e.,* between the time lots are symbolically delivered to our customers and until such customers pay in full all installments under their bills of exchange. See "*Appendix I: Land development business model*").

Interest income increased 33.5%, to S/.42.7 million in 2014 (6.4% of total consolidated revenues) from S/.32.0 million in 2013.This increase was primarily due to (i) a 14% growth of our accounts receivables portfolio, (ii) the higher number of project deliveries of our land development and multifamily projects, which resulted in an increase of capitalized interest recognized as revenue in our consolidated statement of comprehensive income.

Total Revenues

Total revenue consists of our revenue from sales, our revenue from rentals and services rendered and our interest income. For the reasons explained above, our total revenues in 2014 increased 20.2%, to S/.667.8 million from S/.555.6 million in 2013.

Cost of Sales

Cost of sales is the cost of the assets (mainly payments to suppliers of construction works, operating-related services and acquisition of land) delivered to our land development and mid- and low-income housing customers. Within cost of sales, we also account for a portion of our interest expenses related to disbursed debt, the proceeds of which are primarily related to the operating needs of our land development business. These interest expenses are temporarily accounted for as accrued interest capitalized on inventory in the assets column of our consolidated statement of financial position, during Phase I of our land development process (*i.e.*, between the execution of a sale contract and until the lots are symbolically delivered to our customers). Once those lots have been symbolically delivered to our customers, these interest expenses are recognized as costs of sales.

Our cost of sales in 2014 increased 19.2%, to S/.367.4 million (80.4% of total consolidated cost of sales and rentals) from S/.307.2 million year to date September 2013. This increase is primarily due to: (i) the recognition of the cost of sales associated to the higher number of project deliveries of our land development and multifamily projects (+21.2% increase in revenue from sales) and (ii) the incorporation of our new subsidiary LP USA and the corresponding cost of sales (revenues for S/.13.8 million and cost of sales of S/.8.8 million).

Cost of Rentals and Services Rendered

Cost of rentals and services rendered is the cost of our products and services from our parking lot, hotels, and strip mall and shopping center businesses. The cost of rentals and services rendered of our parking lot business is primarily represented by salaries paid to our workforce operating our parking lots and rent paid to the owners of land where we operate several of our micro-parking lots. The cost of rentals and services rendered of our hotel business is primarily represented by personnel costs intrinsically related to the services we provide, cost of food and beverage supplies, and the rent paid for the operation of some of our hotels in accordance with our usufruct agreements. The cost of rentals and services rendered of our strip mall and shopping center business is primarily represented by salaries of our operating employees.

Our cost of rentals and services rendered as of December 31, 2014, increased 17.5%, to S/.89.6 million (19.6% of total consolidated cost of sales and rentals) from S/.76.2 million in 2013. This increase was primarily due to a S/.9.7 million increase in cost of sales of our parking lots segment, explained by higher renting costs paid to land providers and higher personnel costs associated to new parking lot operations.

Total Cost of Sales and of Rentals and Services Rendered

For the reasons explained above, our total cost of sales and of rentals and services rendered increased 19.2%, to S/.456.9 million in 2014, from S/.383.4 million in 2013.

Gross Profit

Gross profit is the excess of our revenues from sales, rentals and services rendered and interest income after accounting for costs of sales and cost of rentals and services rendered. Gross profit increased 22.5%, to S/.210.9 million (31.6% of total consolidated revenues).

Gross margin increased 59 basis points in 2014, with respect to the same period in 2013, primarily as a result of a higher proportion of revenues arisen from our sales businesses which typically generate higher margins than our rentals businesses. This higher proportion is explained by the incorporation of LP USA as a new Subsidiary, which margins are expected to stabilize as the business matures.

	2014	**2013**	**Change (%)**
Total revenues …………………………………………	667,846	555,621	20.2%
Gross profit …………………………………………….	210,927	172,210	22.5%
Gross margin ……………………………………….	**31.6%**	**31.0%**	1.9%

Selling and administrative expenses

Our selling expenses increased 30.0%, to S/.36.3 million in 2014 (5.4% of total consolidated revenues) from S/.27.9 million in 2013 (5.0% of total consolidated revenues). This increase was primarily due to (i) an increase in the number of units sold (although such sales are recognized in our consolidated statement of comprehensive income only at a later stage), which generate higher sales commissions, (ii) an increase in marketing and advertisement in our sales segment, which, as planned, has been taking place in connection with the launching of several new projects throughout the year and (iii) a renovation of visual materials and signaling system of our parking lots operations.

Our administrative expenses increased 12.4%, to S/.72.4 million in 2014 (10.9% of total consolidated revenues) from S/.64.5 million in 2013 (11.6% of total consolidated revenues). This increase is explained by fees charged for advisory and services for new projects during the year. It is important to note that selling and administrative expenses have decreased as percentage of total revenues, exhibiting efficiency.

Net Gain from Fair Value Adjustment on Investment Property

Net gain from fair value adjustment on investment property consists of gains of non-recurring sales of certain fixed assets or gains in the fair value of our investment properties (*e.g.*, land for future commercial developments and fixed assets). During 2014, the company generated a S/.9.3 million increase of the fair value of our investment properties, mainly explained by the profit generated in the sale of commercial properties in Centro Comercial Camino Real that took place in December. During 2013, net gain from fair value adjustment on investment property amounted to S/. 33.0 million due to a profit generated from the spin-off and transfer of Lima Outlet Center (now “In Outlet”) and an increase in the fair value of our investments properties.

In any event, non-recurrent net gains from fair value adjustments on investment property do not impact our EBITDA measures.

Other income / expenses, net

Other income is primarily composed of penalty fees or other fees charged to our customers who have defaulted on their obligations under their installment sales contracts and of any other non-recurring and extraordinary income or profit we may perceive. Other expenses primarily consist of social responsibility-related expenses (*e.g.*, construction of parks in some of the cities where we operate), administrative penalties, general provisions and deferred expenses.

Other income / expenses, net increased to S/.6.3 million in 2014 from S/.4.9 million in 2013. This increase was primarily due to the indirect acquisition of Peramco Inc. (now LP USA), which generated a non-recurring profit for LPSA in the second quarter of 2014.

Operating Profit

Operating profit is the result of subtracting our selling, administrative and other expenses from our gross profit and adding other income and net gain on investment property. As a result of the factors mentioned above, our operating profit decreased less than 1% to S/.117.8 million in 2014 from S/.117.8 million in 2013.

Finance Costs

Finance costs include accrued interest on indebtedness incurred in connection with delivered projects and recognized in our consolidated statement of comprehensive income and other financing costs such as accrued fees. Finance costs increased 6.6%, to S/.10.6 million in 2014 from S/.9.9 million in 2013. This increase was primarily due to (i) a higher amount of outstanding debt and (ii) the incorporation of our new subsidiary LP USA and its related finance costs.

Exchange Difference, Net

Exchange difference, net, consists of gains or losses resulting from the combined effect of having a mismatch of U.S. dollar- or *nuevo sol*-denominated assets and liabilities and the appreciation or depreciation of any such currency. The result of such calculation is accounted for in our consolidated statement of financial position under net liability position.

Exchange difference, net, decreased 16.3%, to S/.(34.6) million in 2014 from S/.(41.3) million in 2013, as a result of a 6.94% depreciation of the *nuevo sol* during 2014, to S/.2.990 from S/.2.796. During 2013 the *nuevo sol* depreciated 9.6% from S/. 2.551 to S/. 2.796. For more information about exchange difference please refer to Appendix V.

Share of profit of investments accounted under the equity method

Share of profit of investments accounted under the equity method consists of any share of profits arising from investments (including companies where we hold a minority stake). Share of profit of investments accounted under the equity method (from affiliated companies such as Real Once and SCP) amounted S/.(3.1) million in 2014 (compared to S/. 1.2 million in 2013). This decrease is explained by the age of Strip Centers del Peru, affiliate that is expected to generate higher revenues while project portfolio matures.

Net Profit

Net profit amounted S/.47.4 million in 2014 (compared to S/.46.3 million in 2013). This increase in profit was mainly due to an increase in gross margin that responds to all reasons explained above.

Adjusted EBITDA

During 2014 adjusted EBITDA increased 13.4%, to S/.155.8 million from S/.137.5 million in 2013. This increase was primarily due to an increase in gross margin that responds to higher sales in all our businesses.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(S/. in thousands)*

	2014	2013
Non-current assets		
Investment property...…………………………………..	150,703	112,011
Property and equipment………………………………..	141,970	134,466
Intangible assets...……………………………………....	41,123	33,660
Investments accounted under the equity method……...	56,143	40,944
Trade and other accounts receivables…………………	163,354	119,108
Total non-current assets……………………………………..	553,293	440,189
Current assets		
Real estate inventories, supplies and other…………..	526,145	471,417
Financial investments ………………………………….	0	0
Receivable from related parties………………………..	435	22,417
Trade and other accounts receivables…………………	115,731	100,659
Cash and cash equivalents…………………………….	64,408	53,429
Total current assets…………………………………………..	706,719	647,921
Total assets……………………………………………………	1,260,011	1,088,110
Equity		
Share capital…………………………………………….	171,254	171,254
Legal and other reserves……………………………….	22,132	16,445
Retained earnings……………………………………….	136,084	94,401
Total equity ………………………………………………….	329,470	282,100
Non-current liabilities		
Borrowings……………………………………………….	308,802	277,749
Trade and other accounts payables…………………..	25,411	27,166
Deferred income tax liability……………………………	15,025	21,652
Total non-current liabilities	349,238	326,567
Current liabilities		
Borrowings……………………………………………….	201,941	142,466
Trade and other accounts payables…………………..	247,286	153,257
Provisions………………………………………………..	2,220	4,659
Payments in advance received………………………..	129,856	179,061
Total current liabilities ……………………………………	581,303	479,443
Total liabilities ……………………………………………..	930,541	806,010
Total liabilities and equity ……………………………….	1,260,011	1,088,110

Non-current Assets

Non-current assets are mainly represented by (i) Property and Equipment; (ii) Trade and Other Accounts Receivables (non-current), evidenced by bills of exchange derived from our nonmortgage financing activities with maturities of more than one year; and (iii) Investment Property, composed by fixed assets and land for future commercial developments.

As of December 31, 2014, our non-current assets increased 25.7% to S/. 553.3 million (43.9% of total assets) from S/. 440.2 million as of December 31, 2013:

- Investments accounted under the equity method increased 37.1% to S/. 56.1 million (10.1% of total non-current assets), compared to S/. 40.9 million as of December 31, 2013. This increase is mainly explained by a capital injection made on SCP.
- Trade and other accounts receivables increased 37.1% to S/. 163.4 million (29.5% of total non-current assets), compared to S/. 119.1 million As of December 31, 2013. This is mainly explained by the growth of our land development receivable portfolio[5] that increased 14.0% in 2014.

Current Assets

Current assets are mainly represented by (i) Real Estate Inventories, which reflect all projects under execution and land reserves[6] to be develop (and will be recognized as cost of sales in the upcoming months); and (ii) Trade and Other Accounts Receivables (current), evidenced by bills of exchange derived from our nonmortgage financing activities with maturities less than one year (for more information about our accounts receivable please refer to Appendix II);

As of December 31, 2014, our current assets increased 9.1% to S/. 706.7 million (56.1% of total assets) from S/. 647.9 million as of December 31, 2013:

- Real estate inventories increased 11.6% to S/. 526.1 million (74.4% of total current assets) as of December 31, 2014 compared to S/. 471.4 million as of December 31, 2013. This increase is associated to: (i) an increase in finished projects that will be delivered in the next period (effect that is going to be reversed then), (ii) an increase in land reserves, in order to maintain it in adequate levels.
- Trade and other accounts receivables increased 15.0% to S/. 115.7 million (16.4% of total current assets) as of December 31, 2014 compared to S/. 100.7 million as of December 31, 2013. As mentioned above, this increase responds to our Sales Department effort to sell remaining lots of our already-delivered projects.

Equity

Equity is composed of (i) Share capital, (ii) Legal and other reserves, and (iii) Retained earnings. As of December 31, 2014, LPSA's equity increased 16.8% to S/.329.5 million as of December 31, 2014 from S/. 282.1 million as of December 31, 2013. Changes in equity are due to increases in retained earnings and legal reserves in the amount of S/.41.6 million and S/.5.7 million, respectively, as of December 31, 2014.

Non-current Liabilities

Non-current liabilities are mainly composed by (i) Borrowings (non-current)[7], which includes non-current obligations from (a) bank loans, (b) debt capital markets, and (c) third-party debt; (ii) Trade and Other Accounts Payables, which contains the deferred purchase price derived from land reserve acquisitions and (iii) Deferred income tax liability. As of December 31, 2014, our non-current liabilities increased 6.9% to S/. 349.2 million (37.5% of total liabilities) from S/. 326.6 million as of December 31, 2013. This increase is mainly explained by a increase in Borrowings of S/.31.1 million, due to debt refinancing with better conditions: current liabilities has now maturities of more than one year, and are been recognized as non-current.

Current Liabilities

Current liabilities are mainly composed of (i) Payments in Advance Received, which include deposits made by our land development clients in before the delivery of the relevant lot (which will be recognized

[5] For more details please refer to Appendix II.
[6] LPSA maintains a non-speculative land reserve policy and, as a result, does not hold on to land for extended periods of time.
[7] For further information about debt please refer to Appendix VI.

as a sale in our consolidated statement of comprehensive income in the upcoming months); (ii) Trade and Other Accounts Payables, and (iii) Borrowings, composed by current obligations.

As of December 31, 2014, our current liabilities increased 21.2% to S/.581.3 million (62.5% of total liabilities) from S/.479.4 million as of December 31, 2013:

- Payments in advance received decreased 27.5% to S/. 129.9 million as of December 2014 (22.3% of total current liabilities) from S/. 179.1 million as of December 2013.
- Borrowings increased 11.2% to S/.308.8 million as of December 31, 2014 (53.1% of total current liabilities) from S/. 277.7 million as of December 31, 2013 due to a higher outstanding debt in order to attend working capital needs.

KEY FINANCIAL RATIOS

	For the period	
	2014	**2013**
Current ratio Current Assets / Current Liabilities	1.22x	1.35x
Leverage ratio Total Liabilities / Equity	2.82x	2.86x
Adjusted Leverage (Total Liabilities - Payments in advance received) / Equity	2.28x	2.22x
Net Debt - Equity ratio Financial Debt / Equity	1.35x	1.30x
Net Debt - Adj. EBITDA ratio Financial Debt / Adjusted EBITDA [1/]	2.87x	2.67x
Gross Margin Gross Profit / Total Revenues	31.58%	31.00%
EBITDA Margin Adjusted EBITDA / Total revenues	23.32%	24.80%

1/ Based on LTM Adjusted EBITDA

Operating activities

As part of our non-speculative and conservative policies on land reserves, we hold a limited amount of land reserves, and avoid holding land for which we do not have a specific development plan. As a result of this policy, our land reserves are accounted for as inventories under the current asset section of our consolidated statement of financial position, rather than as a non-current asset, as it would have been the case if we have had acquired such land as a long term investment or for speculation purposes. As a result, given the current asset characteristics of our land inventories, any investment made to acquire such land reserves is accounted for as an operating activity in our statement of cash flows, rather than as an investing activity, which can inaccurately be interpreted to mean that our cash flows of operating activities are volatile and unstable over time.

Our operating activities decreased 92.3% to (S/. 7.0) million as of December 31, 2014 from (S/. 90.7) million in 2013. This improvement was primarily due to (i) a better operating profit from our businesses, and (ii) a decrease in land purchases in line with the stabilization of land reserves explained next.

By December 31, 2013, we had accumulated 416.8 hectares of land reserves, which represented three years' worth of Revenue from Sales. This figure represents our expected maximum amount of land reserves under the policies and strategies set by our board of directors. To achieve this target, we increased the net cash applied to our operating activities, which resulted in negative cash flows from our operating activities during 2013. We expect to maintain the same, or even lower reserves of land in the future, while complying with our land reserve policies and, hence, reduce the relative amount of cash applied to land acquisitions as a percentage of total income. Furthermore, we expect our Cash Flows from Operating activities to become positive in the near future.

Investing activities

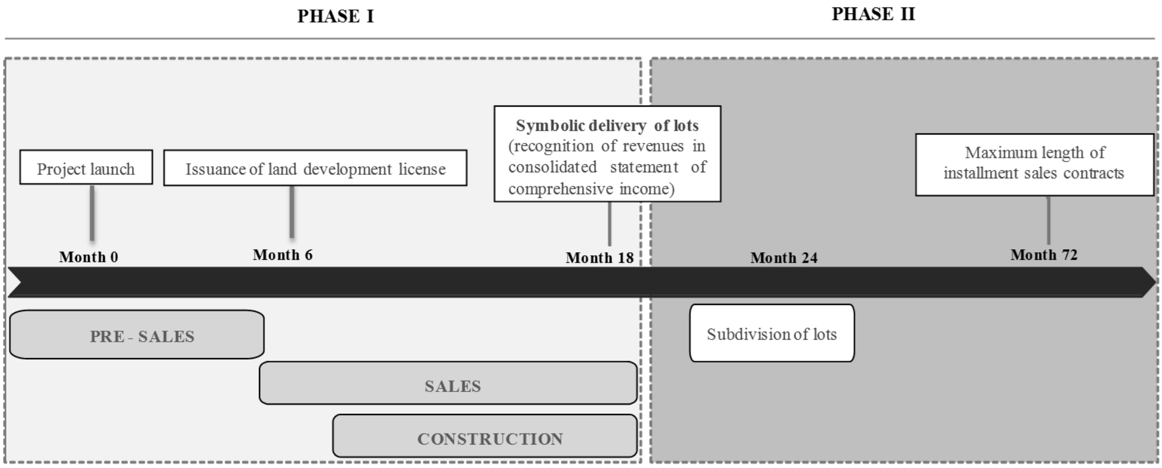
Our investing activities (which do not include any cash applied to acquisition of land reserves) increased 53.7%, to (S/.62.3) million as of December 31, 2014 from (S/.40.5) million in 2013 primarily due to: (i) a commited capital contribution to Strip Centers del Perú S.A. (our joint venture with Parque Arauco) and (iii) the indirect acquisition of Peramco Inc. (now LP USA).

Financing Activities

Our financing activities decreased 46.0%, to S/.80.2 million as of December 31, 2014 from S/.148.6 million in 2013. This is mainly explained by a S/. 51.6 million capital contribution that took place in 2013.

It's important to note that in 2013 we made efforts to improve the debt structure of the company, replacing short-term and high-cost debt to more efficient ones.

APPENDIX I: Land Development Business Cycle



Under IFRS, we recognize the sale of lots in our consolidated statement of comprehensive income only when our land development process moves from Phase I to Phase II (i.e., when the lots are symbolically delivered to our customers), which typically occurs on month 18. The historical and current cycle of our land development business has resulted in that most of our projects are completed during the second half of each year. As such, a substantial portion of our sales are typically recognized in the second half of the year.

Other considerations:

- "*Reserva de Dominio*" (Title Retention): Means that LPSA retains title to the lot until the customer pays in full all amounts due under the installment sales contract.
- "*Duplicidad de Activos*": When a contract is terminated, the account receivable is immediately replaced by the asset as inventory, although the defaulted asset can also be subsequently sold.
- Event of Default is declared upon 3 unpaid installments (whether consecutive or not) and the contract is resolved. In this event:
    - LPSA retains up to 30% of the principal amount, and repossesses the asset.
    - During 2013, LPSA took an average of 55 days to resell a lot. LPSA had been able to resell lots, on average, at a [22-25]% price increase from initial sale price.

APPENDIX II: Land Development Receivable Portfolio

Customers who purchase Land Development lots can either (i) pay in one lump sum the full price of the lot or (ii) execute installment sales contracts of up to 72 monthly installments with a maximum loan-to-value of 80%. Customers who decide to make deferred payments also execute and accept bills of exchange (Accounts Receivable), which are payable on a monthly basis and entitles beneficiary (*i.e.*, LPSA) to initiate a summary proceeding against the debtor to request payment of any amounts outstanding under the bill of exchange. The average maturity of our accounts receivable portfolio is 54 months with an average monthly amount of US$493.1 as of December 31, 2014.

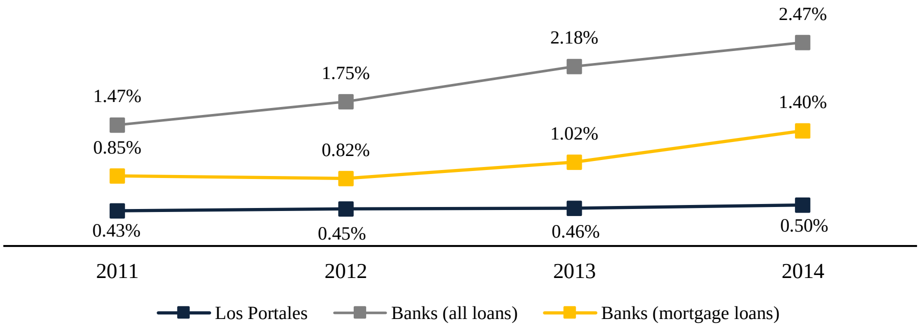
Our land development process is divided into a two-phase schedule (see Appendix I for further information about our Business Cycle): Phase I begins with the execution of a sales contract and ends when the lots are symbolically delivered to our customers. Phase II begins after such delivery occurs and ends when all amounts due and payable by our customers are paid in full and legal title to the lot is transferred to them.

Under IFRS, most of our outstanding receivables evidenced by bills of exchange are accounted for as deferred revenue (*i.e.*, payments in advance received) and only recognized on our consolidated statement of financial position once our land development process moves from Phase I to Phase II, which typically occurs on month 18 (*i.e.*, when the lots are symbolically delivered to our customers). Due to this recognition method, an off-balance sheet account is created when the bills of exchange are accepted and remains until the sale is formally recognized.

Therefore, our accounts receivable portfolio is composed of (i) Trade and Accounts Receivable, current; (ii) Trade and Accounts Receivable, non-current; and (iii) off-balance sheet Trade and Accounts Receivable[8]. In 2014, the size of our accounts receivable portfolio amounted to S/. 430.3 (US$143.9) million, compared to S/.352.4 (US$126.0) million:

Outstanding Receivable Portfolio	2014 *S/. M*	2013 *S/. M*	Var *%*
On-Balance sheet	**343,697**	**193,386**	*78%*
Current	*112,288*	*134,813*	
Non-Current	*231,409*	*58,573*	
Off-Balance sheet	**86,601**	**159,007**	*-46%*
Current	23,152	64,961	
Non-Current	63,449	94,046	
Total Accounts Receivable	**430,298**	**352,393**	*22.1%*

Generally, our accounts receivable portfolio outperforms an average bank loan portfolio, showing low non-performing loan ratios (less that 0.5% as of December 31, 2014):



Source: SBS / Los Portales

8 Represents every bill of exchange executed and accepted by our customers in respect of projects whose sales are still pending to be recognized in our consolidated statement of comprehensive income.

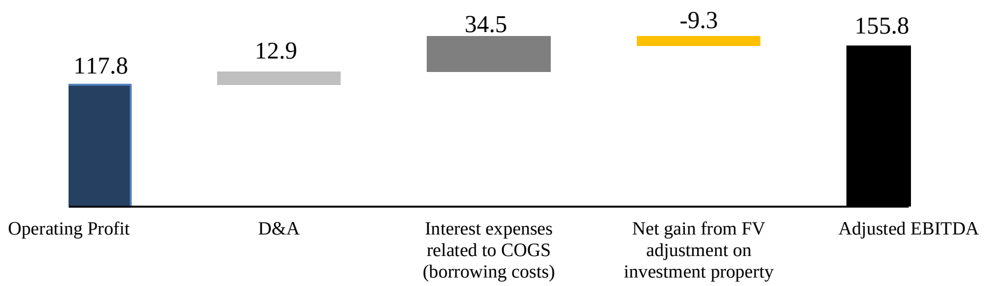
APPENDIX III: Adjusted EBITDA Measure

We define Adjusted EBITDA as operating profit *plus* (i) depreciation and amortization and (ii) interest expenses related to our cost of sales (borrowing costs), *minus* net gain from fair value adjustment on investment property. Consolidated Adjusted EBITDA, as calculated by us, may not be comparable to similarly titled measures reported by other companies that could take into consideration a land appreciation component.

Reconciliation of adjusted EBITDA to operating profit *(S/. in thousands)*	**For the period**		**LTM**
	2014	**2013**	
Operating Profit ……………………………………………	117,775	117,796	0%
(+) Depreciation and amortization ………………………….	12,864	9,642	33%
(+) Interest expenses related to our cost of sales …………...	34,450	43,127	-20%
(-) Net gain from fair value adjustment on investment property ……………………………..………….	9,336	33,045	-72%
Adjusted EBITDA …………………………………………..	155,753	137,520	13%

Reconciliation between Operating Profit and Adjusted EBITDA, LTM ended December 31, 2014

(S/. million)



APPENDIX IV: Seasonality

Sales

Our products are offered and sold throughout the year, and we do not experience material variations in our monthly cash flows. Under IFRS, we recognize the sale of lots and apartments in our Profit and Loss statement when the lots and apartments are symbolically delivered to our customer (this typically occurs in month 18 or when our land development process moves from Phase I to Phase II).

Typically the higher proportion of our operating activities takes place during the first half of the year, making the second half highly active in lot and apartment deliveries. We deliver our lots and/or apartments as a bundle composed of hundreds of lots and/or apartments. As a result, our revenue recognition is reflected in bundles and fluctuates in certain months of the year, which can inaccurately be interpreted to mean that our business is seasonal.

Rentals

Hotel business is seasonal. We have experienced the highest levels of demand during the months of September, November and the first half of December. As a result, during the second half of December and the second half of March (summer season), the volume of corporate travel and events tends to decrease.

On the other hand, our parking lot and strip mall and shopping center businesses are not impacted by seasonalities.

APPENDIX V: Foreign Exchange

We conduct our businesses in markets that have traditionally used Peruvian *Nuevo Sol* and U.S. dollars as the applicable currency to settle transactions. The *Nuevo Sol* is freely traded in the exchange market.

Due to historical and economic reasons, our real estate sales products have been sold and settled almost entirely in U.S. dollars, making our receivables portfolio U.S. dollar-based. However, in recent years, many of our suppliers of goods and services have started to request the use of *Nuevos Soles* as the desired currency to settle transactions. This has resulted in a mismatch between the proportion of our liabilities and assets in U.S. dollars (net liability position), that explains the exchange difference losses or gains, depending on currency fluctuations.

The effect of this mismatch only impacts our consolidated statement of comprehensive income. From a cash flow standpoint, we experienced gains from the devaluation of the *Nuevo Sol* during 2014.

Regardless of what the exchange difference results show for each period, we do not speculate with currencies and we do not intend to make a profit from currency mismatches. Furthermore, in response to the de-dollarization process, we have started to offer real estate products in *nuevos soles*, which will allow us to naturally mitigate our foreign exchange risk.

As of December 31, 2014 Exchange Rate increased 6.94% to 2.99 from 2.796 in December 31, 2013.

IMPORTANT NOTE

This report is provided solely for the purpose of enabling prospective investors to evaluate the performance of the Company, has not been approved by any regulatory authority and shall not be considered as a credit rating or a recommendation to invest in Los Portales. Prospective investors should make an investment decision relying on their own assessment of the information available, as well as public information available at the website of the Superintendencia del Mercado de Valores (SMV). Prospective investors should consult with their own financial and tax advisors concerning the consequences of any particular investment decision.

The Company is not responsible for any investment decision derived from reading this report.