

**Supermercados Peruanos S.A. and Subsidiaries, InRetail
Pharma S.A. and Subsidiaries, Agora Servicios Digitales S.A.C.
and InDigital XP S.A.C.**

Interim combined financial statements as of March 31, 2022 and
December 31, 2021 and for the three month periods ended March 31,
2022 and 2021

Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries, Agora Servicios Digitales S.A.C. and InDigital XP S.A.C.

Interim combined statements of financial position

As of March 31, 2022 and December 31, 2021

	Note	2022	2021		Note	2022	2021
		S/(000)	S/(000)			S/(000)	S/(000)
Assets				Liabilities and equity			
Current assets				Current liabilities			
Cash and short-term deposits	4	659,297	717,812	Trade payables	13	3,833,919	3,846,187
Investment at fair value through profit or loss		37,082	39,986	Other payables		465,168	529,251
Trade receivables, net	5	591,128	590,087	Accounts payable to related parties	21(b)	57,576	61,844
Other receivables, net		95,733	115,450	Interest-bearing loans and borrowings	15	722,514	482,369
Accounts receivables from related parties	21(b)	76,579	65,515	Lease liability	14(c)	251,040	263,494
Inventories, net	6	2,845,862	2,617,744	Current income tax, net	16(b)	7,047	14,586
Prepayments	8	34,052	15,740	Deferred revenue	22	19,234	17,985
Taxes recoverable		273,426	265,862	Total current liabilities		5,356,498	5,215,716
Other assets		2,399	-				
Total current assets		4,615,558	4,428,196	Non-current liabilities			
				Other payables		2,956	2,231
Non-current assets				Accounts payable to related parties	21(b)	92,242	91,391
Other receivables, net		105,072	98,317	Interest-bearing loans and borrowings	15	4,840,194	5,008,705
Derivative financial instrument	9	148,781	224,801	Lease liability	14(c)	1,393,386	1,445,500
Investment at fair value through equity	7	52,845	52,956	Deferred revenue	22	29,383	30,299
Property, furniture and equipment, net	10	4,168,757	4,128,817	Income tax related to Special Purpose Entities		-	3,582
Right of- use- assets, net	14(b)	1,517,701	1,495,475	Deferred income tax liabilities, net	16(a)	451,245	425,142
Investment properties	11	242,909	241,632	Reserves for employee retirement pension funds		23,414	27,111
Intangible assets, net	12	3,958,113	3,965,720	Total non-current liabilities		6,832,820	7,033,961
Deferred income tax assets, net	16(a)	110,239	117,489	Total liabilities		12,189,318	12,249,677
Other assets		2,461	2,463				
Total non-current assets		10,306,878	10,327,670	Equity			
				Capital stock	17	371,607	369,551
Derivative financial instruments				Capital premium		241,954	181,507
				Treasury shares		(9)	(9)
				Additional paid in capital		706,427	706,427
				Other reserve		821,498	821,498
				Unrealized results from foreign currency translation		3,827	3,561
				Unrealized results on derivative financial instrument		(33,167)	(108,902)
				Unrealized results on investment at fair value through equity		13,919	12,180
				Unrealized results from actuarial reserve for retirement		739	643
				Legal Reserve		111,865	91,569
				Retained earnings		498,226	373,313
				Total equity		2,736,886	2,451,338
				Non-controlling interests		(3,768)	54,851
Total assets		14,922,436	14,755,866	Total liabilities and equity		14,922,436	14,755,866

The accompanying notes are an integral part of these combined financial statements.

**Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries,
Agora Servicios Digitales S.A.C. and InDigital XP S.A.C.**

Interim combined income statements

For the three -month periods ended March 31, 2022 and 2021

	Note	2022 S/(000)	2021 S/(000)
Net sales of goods		4,456,861	4,156,441
Rental income		37,808	38,988
Rendering of services		58,839	51,243
Revenue		4,553,508	4,246,672
Cost of sales	19	(3,375,629)	(3,130,951)
Gross profit		1,177,879	1,115,721
Loss from joint venture	21	-	-
Loss on valuation at fair value of investment properties	11	1,181	(1,422)
Selling expenses	19	(764,593)	(744,411)
Administrative expenses	19	(139,534)	(123,168)
Other operating income (expenses), net		20,515	7,453
Operating profit		295,448	254,173
Financial income	20	4,904	2,127
Financial expenses	20	(104,961)	(234,985)
Exchange difference, net		78,748	(75,257)
Profit (loss) before income tax		274,139	(53,942)
Income tax expense	16	(98,200)	9,714
Net profit (loss)		175,939	(44,228)
Attributable to:			
Owners of the parent		168,452	(40,270)
Non-controlling interests		7,487	(3,958)
Net profit (loss)		175,939	(44,228)

The accompanying notes are an integral part of these combined financial statements.

Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries, Agora Servicios Digitales S.A.C. and InDigital XP S.A.C.

Interim combined statements of comprehensive income

For the three -month periods ended March 31, 2022 and 2021

	2022	2021
	S/(000)	S/(000)
Net profit (loss)	175,939	(44,228)
Other comprehensive income		
Unrealized (loss) gain on available-for-sale investments	(111)	6,468
Income tax effect	33	(1,908)
Total other comprehensive income of available for sale investment	(78)	4,560
Unrealized gain in derivative financial instrument	115,012	20,200
Income tax effect	(32,195)	(6,398)
Total other comprehensive income derivative financial instruments	82,817	13,802
Unrealized (loss) gain results from foreign currency translation	(265)	1,114
Total other income result from foreign currency translation	(265)	1,114
Other comprehensive income for the period, net of income tax effects	82,474	19,476
Total comprehensive income for the period	258,413	(24,752)
Attributable to:		
Owners of the parent	250,920	(25,833)
Non-controlling interests	7,493	1,081
Total comprehensive income for the period	258,413	(24,752)

The accompanying notes are an integral part of these combined financial statements.

Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries, Agora Servicios Digitales S.A.C. and InDigital XP S.A.C.

Interim combined statements of changes in equity

For the three -month periods ended March 31, 2022 and 2021

	Capital stock	Additional paid in capital	Capital premium	Treasury shares	Other reserve	Unrealized results on derivative financial instruments	Unrealized results on investments at fair value through equity	Unrealized results from foreign currency translation	Unrealized results from actuarial reserve for retirement	Legal reserve	Retained earnings	Total	Non-controlling interests	Total equity
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Balance as of January 1, 2021	369,551	706,427	181,507	(9)	821,498	(40,610)	12,858	1,840	927	70,173	712,014	2,836,176	105,936	2,942,112
Loss for the period	-	-	-	-	-	-	-	-	-	-	(40,270)	(40,270)	(3,958)	(44,228)
Other comprehensive income	-	-	-	-	-	9,500	3,968	969	-	-	-	14,437	5,039	19,476
Total comprehensive income	-	-	-	-	-	9,500	3,968	969	-	-	(40,270)	(25,833)	1,081	(24,752)
Dividends	-	-	-	-	-	-	-	-	-	-	(16,050)	(16,050)	-	(16,050)
Dividends for non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(39)	(39)
Transfer to legal reserve	-	-	-	-	-	-	-	-	-	11,675	(11,689)	(14)	14	-
Other	-	-	-	-	-	-	-	144	-	(4,025)	3,856	(25)	22	(3)
Balance as of March 31, 2021	369,551	706,427	181,507	(9)	821,498	(31,110)	16,826	2,953	927	77,823	647,861	2,794,254	107,014	2,901,268
Balance as of January 1, 2022	369,551	706,427	181,507	(9)	821,498	(108,902)	12,180	3,561	643	91,569	373,313	2,451,338	54,851	2,506,189
Profit for the period	-	-	-	-	-	-	-	-	-	-	168,452	168,452	7,487	175,939
Other comprehensive income	-	-	-	-	-	82,811	(78)	(265)	-	-	-	82,468	6	82,474
Total comprehensive income	-	-	-	-	-	82,811	(78)	(265)	-	-	168,452	250,920	7,493	258,413
Dividends	-	-	-	-	-	-	-	-	-	-	(27,539)	(27,539)	-	(27,539)
Dividends for non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(3,944)	(3,944)
Effect of change in participation in Subsidiary	2,056	-	60,447	-	-	(7,076)	1,817	531	96	4,475	(179)	62,167	(62,168)	(1)
Transfer to legal reserve	-	-	-	-	-	-	-	-	-	15,821	(15,821)	-	-	-
Balance as of March 31, 2022	371,607	706,427	241,954	(9)	821,498	(33,167)	13,919	3,827	739	111,865	498,226	2,736,886	(3,768)	2,733,118

The accompanying notes are an integral part of these combined financial statements.

**Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries,
Agora Servicios Digitales S.A.C. and InDigital XP S.A.C.**

Interim combined statements of cash flows

For the three -month periods ended March 31, 2022 and 2021

	2022 S/(000)	2021 S/(000)
Operating activities		
Revenue	4,546,526	4,224,002
Payments to suppliers of goods and services	(4,064,924)	(3,577,381)
Payments to employees for salaries and social benefits	(363,349)	(332,906)
Taxes paid	(133,511)	(121,856)
Other payments, net	28,392	(21,931)
Net cash flows from operating activities	13,134	169,928
Investing activities		
Collection of loans to related parties	-	500
Sales of property, furniture and equipment	287	663
Sales of investment at fair value through profit or loss	38,153	139,401
Sales of subsidiary, net of cash delivered	-	36,792
Loans granted to related parties	-	(1,860)
Purchase of investment at fair value through profit or loss	(36,966)	(21,000)
Purchase of property, furniture and equipment, net of acquisitions through leasing	(94,002)	(116,696)
Purchase and development of intangible assets	(12,515)	(14,851)
Purchase of investment properties, net of acquisitions through leasing	(96)	(89)
Net cash flows (used in) from investing activities	(105,139)	22,860
Financing activities		
Proceeds from interest-bearing loans and borrowings	518,000	611,113
Proceeds from bond issuances, net of up-front fees	-	2,766,310
Proceeds from early settlement of hedging instrument	-	21,385
Payment of interest-bearing loans and borrowings	(293,875)	(1,664,093)
Payment of bonds issuance	-	(1,449,600)
Payment of premium for advanced cancelation of senior notes	-	(47,530)
Interest payment	(53,493)	(57,865)
Payment of lease liability	(76,844)	(71,312)
Interest payment of lease liability	(28,729)	(29,356)
Dividends payment	(27,539)	(16,050)
Dividends payment to non controlling interest	(3,944)	(39)
Rent payments and key money paid in advance	(86)	-
Net cash flows from financing activities	33,490	62,963
Net (decrease) increase of cash and short-term deposits	(58,515)	255,751
Cash and short-term deposits at the beginning of the period	717,812	907,048
Cash and short-term deposits at the end of the period	659,297	1,162,799
Non-cash transactions		
Fixed assets purchased through leasing and others financial obligation	14,812	9,259
Addition of the period of right-of-use asset	116,989	7,071

The accompanying notes are an integral part of these combined financial statements.

Notes to the combined financial statements

Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries, Agora Servicios Digitales S.A.C. and InDigital XP S.A.C.

Notes to the interim combined financial statements

As of March 31, 2022 and December 31, 2021

1. Identification, business activities, acquisition and disposal of subsidiaries, and pandemic

(a) Identification

Patrimonio en Fideicomiso D.S. N°093-2002-EF-InRetail Consumer (a Special Purpose Entity-SPE, hereinafter "InRetail Consumer"), was incorporated in August 2014 by InRetail Perú Corp. only for the purpose of issuing debt in the local market and abroad. As of March 31, 2022, the representative shares of capital stock of Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries, Agora Servicios Digitales S.A.C. and InDigital XP S.A.C. are maintained in trust in this entity.

Supermercados Peruanos S.A., InRetail Pharma S.A., InRetail Foods S.A.C., Agora Servicios Digitales S.A.C. and InDigital XP S.A.C. were incorporated in June 1979, August 1996, December 2021, June 2019 and October 2019, respectively, in Lima, Peru. As of March 31, 2022 and December 31, 2021, those companies are subsidiaries of InRetail Perú Corp., which is part of InterCorp Perú Corp., InRetail Perú Corp. owns directly and indirectly the following percentages of ownership in these companies:

	Participation (%)	
	As of March 31, 2022	As of December 31, 2021
Supermercados Peruanos S.A.	99.98	99.98
InRetail Pharma S.A.	100.00	87.02
Agora Servicios Digitales S.A.C.	100.00	100.00
InDigital XP S.A.C.	100.00	100.00

(b) Business activities

The following is a description of the Companies activities:

- Supermercados Peruanos S.A. is dedicated to retail. As of March 31, 2022 and December 31, 2021, has a chain of stores operating under "Plaza Vea", "Plaza Vea Super", "Vivanda", "Mass" and "Makro" brands, which are located in Lima and provinces, such as Trujillo, Chimbote, Piura, Cusco, Arequipa Huancayo, among others. Supermercados Peruanos S.A. holds 100 percent of: (i) Desarrolladora de Strip Centers S.A.C., (ii) Plaza Vea Oriente S.A.C. (iii) Makro Supermayorista S.A., (iv) Operadora de Servicios Logísticos S.A.C., (v) Backoffice Peruanos S.A.C., (vi) Compañías de Servicios de Operación Hard Discount S.A.C. and (vii) Compañía de Servicios de Operación Food Retail S.A.C.
- InRetail Foods S.A.C. a Company incorporated only with the purpose of acquiring 37.42 percent of Makro Supermayorista S.A. In the General Shareholder's Meeting of Supermercados Peruanos S.A. and InRetail Foods S.A.C., dated February 15, 2021, the merger of both companies was agreed, as mentioned before. InRetail Foods S.A.C. was the entity absorbed.

Notes to the combined financial statements

- InRetail Pharma S.A. is dedicated to the commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements related to health protection and recovery through its “Inkafarma” and “Mifarma” pharmacy chains. It is also dedicated, to the Distribution and Marketing of pharmaceutical products. As of March 31, 2022 and December 31, 2021, it operates in Perú, Ecuador and Bolivia. InRetail Pharma S.A. holds 100 percent of: (i) Drogueria InRetail Pharma S.A.C., (ii) Farmacias Peruanas S.A.C., (iii) Mifarma S.A.C., (iv) Química Suiza S.A.C. (v) Boticas IP S.A.C., (vi) FP Servicios Generales S.A.C. and (vii) Quicorp Group. See Note 1 c).

During the year 2021, the Company disposed of the following subsidiaries: Mifarma S.A. (Bolivia) and Cifarma S.A.C. (Perú). See Note 1 (b).

- Agora Servicios Digitales S.A.C. (formerly InDigital S.A.C.) established in June 2019, which manages and operates mainly digital payment services through of a digital platform. The legal domicile of the Company, where its administrative offices are located, is located at Calle Morelli N 181, San Borja, Lima, Peru.

On October 4, 2021, the Company through its subsidiary InRetail Consumer acquired the 100 percent of the shares of InDigital S.A.C. The amount disbursed was S/56,661,000.

- InDigital XP S.A.C. (formerly IR Digital S.A.C.) established in October 2019, which manages, operates and provides support in services of digital businesses to the Group's subsidiaries. The legal domicile of the Company, where its administrative offices are located, is located at Calle Morelli N 139, San Borja, Lima, Peru.

On October 4, 2021, the Company through its subsidiary InRetail Consumer acquired the 100 percent of the shares of InDigital XP S.A.C. The amount disbursed was S/3,493,000.

The following is a summary of the main data of the financial statements of Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries, Agora Servicios Digitales S.A.C. and InDigital XP S.A.C. as of March 31, 2022 and December 31, 2021, and for the three -month periods ended March 31, 2022 and 2021:

	Total assets		Total liabilities		Total equity		Net, profit and loss	
	As of	As of December	As of	As of December	As of	As of December	As of	As of December
	March 31,	31, 2021	March 31,	31, 2021	March 31,	31, 2021	March 31,	31, 2021
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Consolidated statements of financial position								
Supermercados Peruanos S.A. and Subsidiaries	51,028	7,555,044	2,764,327	6,671,761	2,517,826	883,283	113,529	3,237
InRetail Pharma S.A. and Subsidiaries	6,004,958	5,907,537	5,519,631	5,489,353	485,327	418,184	93,569	(30,498)
Agora Servicios Digitales S.A.C.	51,028	45,293	17,432	14,490	33,596	30,803	(16,552)	-
InDigital XP S.A.C.	12,229	11,974	4,390	6,355	7,839	5,619	2,220	-

The combined financial statements as of March 31, 2022 were approved by management of InRetail Perú Corp. on May 16, 2022.

Notes to the combined financial statements

(c) Acquisitions and disposal of subsidiaries

- Acquisition of Makro Supermayorista S.A.

In December 2020, InRetail Perú Corp., through its subsidiaries Supermercados Peruanos S.A. and InRetail Foods, acquired 100 percent of Makro Supermayorista S.A. (hereinafter "Makro"). Makro is a cash-and-carry wholesaler that sells food and non-food products to professional as well as individual customers. The acquisition operation included 16 stores in Lima and Provinces and the "Makro" and other minor private label brands.

The price of the transaction was US\$359,619,000 (equivalent to approximately S/1,300,743,000), which was paid in full with the proceeds from the Bridge Facility. The Bridge Facility was for an amount up to US\$375,000,000 (equivalent to approximately S/1,356,000,000), was arranged with J.P. Morgan Chase Bank, N.A. and contained covenants, including restrictions on incurrence of debt and maintenance of certain financial ratios, among others (see note 15(b) and 15(c)).

The acquisition of Makro was recorded in accordance with IFRS 3 "Business Combinations", applying the "Purchase" accounting method. Under this method, assets and liabilities were recorded at their estimated fair values at the date of purchase, including identified intangible assets not recorded in the financial statements position of each entity acquired.

The following are the preliminary fair values of the identifiable assets and liabilities of Makro at the date of acquisition:

	Fair value of the acquired entity S/(000)
Assets	
Cash and short-term deposits	88,144
Trade accounts receivables, net	1,807
Other accounts receivables	48,541
Inventories, net	121,409
Property, installations, furniture and equipment, net	692,592
Right-of- use-assets, net	23,884
Intangibles, net	220,027
Other assets	1,719
Liabilities	
Trade accounts payables	(252,077)
Other accounts payables	(54,292)
Lease liabilities	(26,404)
Interest-bearing loans and borrowings	(59,755)
Deferred income tax liabilities, net	(133,430)
Total net assets identified at fair value	672,165
Goodwill generated in the acquisition, note 12 (d)	628,578
Purchase price transferred	1,300,743

The recorded goodwill amounting to S/628,578,000 represents the future synergies that are expected to arise from the combination of operations, distribution channels, workforce and other efficiencies not included in the intangible assets of the present value of the current business.

Notes to the combined financial statements

- Acquisitions of Agora Servicios Digitales S.A.C. and InDigital XP S.A.C.
On October 4, 2021, InRetail Consumer, acquired the 100 percent of the shares of Agora Servicios Digitales S.A.C. and InDigital XP S.A.C. The amount disbursed was S/56,661,000 and S/3,493,000, respectively.

Agora Servicios Digitales S.A.C. manages and operates digital payment services through a digital platform and InDigital XP S.A.C. manages, operates and provides support in digital commerce services to the Group's subsidiaries.

The acquisition of both Companies was recorded in accordance with IFRS 3 "Business Combinations", applying the "Purchase" accounting method. Under this method, assets and liabilities were recorded at their estimated fair values at the date of purchase, including identified intangible assets not recorded in the statement of financial position of each acquired entity.

The following are the preliminary fair values of the identifiable assets and liabilities of the Companies at the date of acquisition:

	<u>Fair value of the acquired entity</u>	
	<u>Agora Servicios Digitales S.A.C.</u>	<u>InDigital XP S.A.C.</u>
	S/(000)	S/(000)
Assets		
Cash and short-term deposits	12,237	59
Trade accounts receivables, net	1,640	383
Other accounts receivables	1,247	2,897
Inventories, net	1,957	-
Property, installations, furniture and equipment, net	291	526
Deferred income tax assets, net	62,581	3,483
Other assets	7,160	343
Liabilities		
Trade accounts payables	(214)	(2,557)
Other accounts payables to related parties	(34,990)	(240)
Deferred income tax liability	(13,806)	-
Other accounts payables	(1,593)	(1,771)
Total net assets identified at fair value	36,510	3,123
Goodwill generated in the acquisition, Note 12 (d)	20,151	370
Purchase price transferred	56,661	3,493

Considering that the acquisition date was October 4, 2021, the fair values of the identifiable assets and liabilities of Agora Servicios Digitales S.A.C. and InDigital XP S.A.C. correspond to preliminary amounts. In Management's opinion, they will have the final balances and finish the measurement period during 2022, which is in accordance to IFRS 3.

Notes to the combined financial statements

- Disposal of subsidiaries

On January 22 and February 16, 2021, InRetail Pharma Group transferred 100 percent of its participation in Química Suiza Colombia S.A.S. and Cifarma S.A.C. for approximately US\$1,958,000 (equivalent to S/7,093,000) and US\$9,545,000 (equivalent to S/34,879,000), to non-related entities.

The following are the assets and liabilities, at the date of disposals:

	Química Suiza Colombia S.A.A.	Cifarma S.A.C. (Perú)
	S/(000)	S/(000)
Assets		
Cash and short-term deposits	2,085	2,514
Inventories, net	4,487	20,001
Property, furniture and equipment, net	207	10,617
Right-of-use-assets, net	57	16,960
Intangible assets, net	-	6,907
Other	9,533	25,475
	16,369	82,474
Liabilities		
Trade accounts payables	6,709	14,018
Lease liabilities	92	20,164
Other	5,154	6,641
	11,955	40,823
Net value	4,414	41,651

(d) Pandemic

In March 2020, the World Health Agency "WHO" declared the coronavirus outbreak as a pandemic. The Company and its Subsidiaries have taken all the appropriate measures to safeguard the health of workers and ensure their critical processes.

In this regard, on March 15, 2020, the Peruvian Government declared a state of emergency nationwide. Among the first actions taken within this National State of Emergency, that included the closing of the borders, compulsory social confinement, the closing of businesses deemed non-essential (exceptions were production, distribution and commercialization of food and pharmaceuticals, financial services and healthcare).

During 2021 and 2020, in order to continue containing and mitigating the spread of COVID-19, the Peruvian Government issued a series of Supreme Decrees, extending the Nacional State of Sanitary Emergency, defining alert levels: moderate, high, very high and extreme; that are granted to each of the regions of Peru, based on an evaluation carried out by the Ministries of Health, with a series of restrictions that vary depending on the level of each region.

Notes to the combined financial statements

In February 2021, after the Peruvian Government concluded its negotiations with different laboratories for the acquisition of vaccines, the distribution of doses to face Covid-19 in our country began. The vaccination schedule was carried out according to age groups, since not all citizens were exposed to the same level of risk of infection. The vaccination process has been developed throughout 2021, and at the end of October 2021, the protocol for applying the booster dose of the vaccine against Covid-19 was established.

Although the vaccination process was advancing rapidly as part of the plan designed to face a possible "third wave", it finally formally began in Peru at the beginning of 2022. As a measure to protect the health of citizens, the Peruvian Government, issued a series of Supreme Decrees, extending the State of Sanitary Emergency and State of National Emergency, until the end of August 2022.

In this context, the Company did not suspend or paralyze its operations and continued to carry out its activities through remote work. Regarding the Subsidiaries of the Company, all of the operations of Supermercados Peruanos S.A. and InRetail Pharma S.A. were considered essential and as a result, during the COVID-19 pandemic, their stores and pharmacies have remained open to the public and their operations have not been materially affected. While Supermercados Peruanos S.A. and InRetail Pharma S.A. have not been immune to the negative effects of the COVID-19 pandemic, the impact of such effects to their business has not been as substantial as in other sectors and business.

As a result of the pandemic, the InRetail Consumer and its Subsidiaries assets have not presented impairment that have not been included in the financial statements and have not had any change in accounting judgments as of March 31, 2022 and December 31, 2021.

In the opinion of the InRetail Consumer's Management and its Subsidiaries, the Company has sufficient liquidity and debt capacity to meet its obligations; as well as to continue operations.

Notes to the combined financial statements

2. Summary of significant accounting policies

The significant accounting policies used in the preparation and presentation of the Companies combined financial statements are described below:

(a) Basis of preparation and presentation

The interim condensed combined financial statements of the Companies have been prepared and presented solely to comply with certain obligations as a result of the issuance made by InRetail Consumer. Likewise, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) effective as of March 31, 2022 and December 31, 2021.

The interim condensed combined financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit and loss, financial instruments at fair value through other comprehensive income, investment properties and derivative financial instruments, that have been measured at fair value. The interim condensed combined financial statements and other financial assets are presented in Soles and all values are rounded to the nearest thousand (S/(000)), except when otherwise indicated.

The interim condensed combined financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Companies annual combined financial statements as of December 31, 2021.

(b) Basis of combination

The interim condensed combined financial statements comprise the consolidated financial statements of the Companies and their Subsidiaries, which have been prepared under IFRS; see Note 1. For purposes of these consolidated financial statements, subsidiaries are fully consolidated from the date of acquisition; being the date on which Supermercados Peruanos S.A. or InRetail Pharma S.A. obtained 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 combined financial statements result from the addition of the balances of all the accounts of the Companies consolidated financial statements; however, there is not any relationship as a parent and subsidiaries. The significant transaction among the Companies balances and profit and losses have been eliminated. The combined financial statements are prepared using uniform accounting policies for similar transactions and events, which are described in the following notes to the combined financial statements.

Additionally, the combined financial statements include some assets, liabilities and results as a consequence of transactions made by InRetail Perú Corp. that are directly related to the Companies. The main combined adjustments and intercompany eliminations are explained below:

- (i) Intercompany eliminations of balances and transactions, that mainly correspond to commercial transactions between the Companies (rental and/or rights of use of property, sale of merchandise vouchers, key money, etc.).

Notes to the combined financial statements

- (ii) The “Inkafarma” commercial brand and goodwill recorded in the consolidated financial statement of InRetail Perú Corp. and Subsidiaries as a consequence of the acquisition of InRetail Pharma S.A. (former Eckerd Perú S.A.) and Subsidiaries in January 2011 for approximately S/373,054,000 and S/709,472,000, respectively; see Note 12(b). Likewise, the deferred tax liability related to this commercial brand amounts to approximately S/111,916,000.

- (c) New standards, interpretations and amendments

The accounting policies adopted in the preparation of the interim condensed combined financial statements are consistent with those followed in the preparation of the Companies annual combined financial statements for the year ended December 31, 2021, except for the adoption of the new standards and interpretations as of January 1, 2022.

The standards, improvements and modifications to the standards issued that are in effect on the date of issuance of these combined financial statements are detailed below:

- (i) Amendments to IFRS 3 “Business combinations”: Reference to the Conceptual Framework
In May 2020, the IASB issued Amendments to IFRS 3, intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989 with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘Day 2’ gain or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 “Levies”, if uncured separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of the first application, the Companies and its subsidiaries Group will not be affected by these amendments on transition.

Notes to the combined financial statements

- (ii) Modifications to IAS 1 "Presentation of financial statements" Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: (i) what is meant by a right to defer settlement; (ii) that a right to defer must exist at the end of the reporting period; (iii) that classification is unaffected by the likelihood that an entity will exercise its deferral right; and, (iv) that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

The companies and its subsidiaries are currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- (iii) Amendments to IAS 16 "Property, plant and equipment": Proceeds before intended Use
May 2020, the IASB issued amendments to IAS 16, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Companies and its subsidiaries.

- (iv) Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets": Onerous Contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

The Companies and its subsidiaries will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- (v) IFRS 1 "First-time Adoption of international financial reporting standards": Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

Notes to the combined financial statements

(vi) IFRS 9 “Financial instruments”: Fees in the 10 percent test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

(vii) IAS 41 “Agriculture”: Taxation in fair value measurements
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

(viii) Amendments to IAS 8 “Accounting policies, changes in estimates and errors”: Definition of accounting estimates
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting Policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is allowed as long as this fact is disclosed.

(ix) Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 “Making Materiality Judgements”, in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their material accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023, with earlier application permitted. Since the amendments to the IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

In the Management's opinion, these standards will not have a significant impact on the consolidated financial statements of the Companies and its Subsidiaries.

Notes to the combined financial statements

3. Transactions in foreign currency

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by the Superintendence of Banks, Insurance and Pension Funds Administration. As of March 31, 2022, the end of period exchange rates in the market for transactions in US Dollars were S/3.695 per US\$1 bid and S/3.701 per US\$1 ask (S/3.975 and S/3.998 per US\$1 bid and ask as of December 31, 2021).

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by authorized entities of the country in which the Company and its Subsidiaries operate. As of March 31, 2022 and December 31, 2021, the end of period exchange rates at the market for transactions of the different currency in relation to the Sol are as following:

Exchange rate per Soles	2022	2021
U. S. Dollars (US\$)	0.270	0.250
Bolivian Peso (b\$)	1.840	1.741

As of March 31, 2022 and December 31, 2021, the companies held the following foreign currency assets and liabilities:

	As of March 31, 2022		As of December 31, 2021	
	US\$(000)	B\$ (000)	US\$(000)	B\$ (000)
Assets				
Cash and short-term deposits	50,538	25,291	73,194	21,383
Investments at fair value through profit or loss	10,019	-	10,002	-
Investments at fair value through equity	14,302	-	43,322	-
Trade receivables, net	51,544	32,143	47,634	31,704
Other accounts receivables, net	24,309	4,198	10,145	3,986
Accounts receivable from related parties	682	-	424	-
Total assets	151,394	61,632	184,721	57,073
Liabilities				
Trade payables	(149,147)	(17,455)	(92,542)	(15,171)
Other payables	(40,875)	(7,219)	(14,673)	(7,851)
Accounts payable to related parties	(158,132)	-	(372)	-
Lease liability	(261,852)	(1,071)	(250,941)	(1,267)
Interest - bearing loans and borrowings	(589,012)	-	(586,831)	-
Total Liabilities	(1,199,018)	(25,745)	(945,359)	(24,289)
Hedge amount	600,000	-	600,000	-
Net (liability) asset position	(447,624)	35,887	(160,638)	32,784

- (a) As of March 31, 2022 and December 31, 2021, InRetail Pharma S.A., Supermercados Peruanos S.A. and InRetail Consumer, Subsidiaries of the Company, reduced their exchange rate risk with hedging operations through seven contracts, three Call Spreads and four Range Principal Only Swaps written over its "Senior Secured Notes", and intercompany loans, which were considered an effective hedging instruments.

Notes to the combined financial statements

The Call Spreads were written over a nominal amount of US\$138,000,000, US\$138,000,000 and US\$24,000,000, and the Range Principal Only Swaps over a nominal value of US\$100,000,000, US\$100,000,000, US\$50,000,000 and US\$50,000,000, and will be effective until the cancelation of the "Senior Secured Notes" and Intercompany loans. See further detail in Note 9.

- (b) As of December 31, 2020, InRetail Pharma S.A., reduced its exchange rate risk with one hedging operation, a Call Spread written over its "Senior Notes Unsecured", which was considered an effective hedging instrument. The Call Spread was written over a nominal amount of US\$400,000,000, and was effective until the cancelation of the "Senior Notes Unsecured". In March 2021, InRetail Pharma settled the Call Spread early. See further detail in Note 9.
- (c) For the three-month period ended as of March 31, 2022 and 2021, the Company and its Subsidiaries have incurred in the following results for exchange difference:

	2022	2021
	S/(000)	S/(000)
Exchange difference generated by hedged assets and liabilities	178,200	(63,248)
Compensation of exchange difference for hedging derivative	(178,200)	63,248
Exchange difference generated by unhedged assets and liabilities	78,748	(75,257)
Net gain (loss)	<u>78,748</u>	<u>(75,257)</u>

4. Cash and short-term deposits

- (a) The table below presents the components of this account:

	As of March 31,	As of December 31,
	2022	2021
	S/(000)	S/(000)
Cash	53,446	19,739
Current accounts (b)	503,837	532,875
Time deposits (c)	9,761	38,104
Remittances in transit	92,253	127,094
Total	<u>659,297</u>	<u>717,812</u>

- (b) The Companies maintain current accounts in local banks in local currency of each country and US Dollars that do not accrue interest and are freely available.
- (c) As of March 31, 2022, time deposits are freely available and are kept in Soles and US Dollars, in local banks, have maturities up to a month since inception and accrue interest between 3.70 and 3.80 percent annual in Soles (between 1.50 and 2.50 percent annual in Soles, and 0.05 percent annual in US Dollars as of December 31, 2021).

Notes to the combined financial statements

5. Trade receivables, net

(a) The table below presents the components of this caption:

	As of March 31, 2022 S/(000)	As of December 31, 2021 S/(000)
Trade accounts receivable (c)	562,827	549,873
Credit card operations (d)	64,147	79,899
Rent receivable (e)	3,672	2,986
Others	3,981	3,691
Total	634,627	636,449
Provision for doubtful accounts (f)	(43,499)	(46,362)
Total	591,128	590,087

(b) Trade receivables are denominated in local currency of each country and US Dollars, have current maturities and do not accrue interest.

(c) Corresponds mainly to trade receivables from sale of inventories and from the sale of merchandise vouchers to various companies and public institutions. At the date of this report, these balances are mostly collected.

(d) Corresponds mainly to pending deposits in favor of Supermercados Peruanos and InRetail Pharma Group for the last day of the month, respectively, held by credit card operators and originated from the sales of goods with credit cards in the different stores of Supermercados Peruanos and InRetail Pharma.

(e) Corresponds to accounts receivable for the lease of commercial premises to concession holders inside the stores of Supermercados Peruanos S.A.

(f) The movements in the provision for doubtful accounts receivable for the three -month periods ended March 31, 2022 and 2021, were as follows:

	2022 S/(000)	2021 S/(000)
Balance at the beginning of the year	46,362	57,873
Provision recognized as year expense, Note 19 (a)	1,691	3,816
Recoveries, Note 19 (a)	(759)	(1,590)
Write-off and recoveries	(2,282)	(395)
Exchange difference	(1,506)	48
Other	(7)	47
Balance at the end of the period	43,499	59,799
Balance as of December 31, 2021		46,362

Notes to the combined financial statements

As of March 31, 2022 and December 31, 2021, the amount of trade receivables past due but not impaired amounted to approximately S/76,111,000 and S/84,480,000, respectively. The overdue items which have a payment agreement by the customer, are not considered impaired.

In the opinion of Management, the provision for doubtful accounts receivable as of March 31, 2022 and December 31, 2021 appropriately covers the credit risk of this item at those dates.

6. Inventories, net

(a) The composition of this item is presented below:

	As of March 31, 2022 S/(000)	As of December 31, 2021 S/(000)
Goods, Note 19 (a)	2,609,976	2,321,077
Raw material, Note 19 (a)	392	879
In transit inventories (b)	250,756	308,954
Miscellaneous supplies	7,792	7,330
Miscellaneous supplies for manufacturing	1,064	874
Total	2,869,980	2,639,114
Minus		
Provision for impairment of inventories (c)	(24,118)	(21,370)
Total	2,845,862	2,617,744

(b) Corresponds to goods and miscellaneous supplies imported by the Companies.

(c) The changes in the provision for inventory impairment for the three -month periods ended as of March 31, 2022 and 2021 were as follows:

	2022 S/(000)	2021 S/(000)
Balance at the beginning of the year	21,370	21,885
Provision of the period, Note 19 (a)	11,614	11,888
Recovery	(8,229)	(9,138)
Write-off	(171)	(1,008)
Foreign currency translation	(466)	91
Balance at the end of the period	24,118	23,718
Balance as of December 31, 2021		21,370

The provision for inventory impairment is determined based on stock turnover, discounts granted for the liquidation of the merchandise and other characteristics based on periodic evaluations performed by the Management.

Notes to the combined financial statements

7. Investment at fair value through equity

As of March 31, 2022, the Company has other investments at fair value through equity for an amount of US\$14,302,000 equivalent to S/52,845,000 (US\$13,322,000 equivalent to S/52,956,000 as of December 31, 2021).

The fair value of these instruments is determined by the price quotes published in an active market.

As of March 31, 2022 and December 31, 2021, the unrealized result net of deferred tax is S/13,919,000 and S/12,180,000 respectively and is presented in the combined statement of changes in equity.

8. Prepayments

(a) The table below presents the composition of this caption:

	As of March 31, 2022 S/(000)	As of December 31, 2021 S/(000)
Prepaid rent	2,224	914
Insurance	1,327	944
Prepaid tax	12,493	586
Others	18,008	13,296
Total	34,052	15,740

9. Derivatives financial instruments

As of March 31, 2022 and December 31, 2021, this item comprises of seven contracts, three principal Call Spreads and four Range Principal Only Swaps designated to hedge cash flows from exchange rate variations and recorded at its fair value. The details of these operations are as follows:

Counterparty	Nominal value US\$(000)	Due	Pays fixed rate at %	Book value of	Fair value	Fair value
				the hedged item S/(000)	2022 S/(000)	2021 S/(000)
Citibank N.A. (b)	138,000	March 2028	1.04	510,738	30,558	38,856
Citibank N.A. (b)	100,000	March 2028	2.50	370,100	25,722	44,979
Citibank N.A. (b)	50,000	March 2028	2.50	185,050	12,664	22,282
Citibank N.A. (b)	138,000	March 2028	-	510,738	36,137	44,664
Citibank N.A. (b)	100,000	March 2028	1.50	370,100	25,722	44,980
Citibank N.A. (b)	50,000	March 2028	1.50	185,050	12,664	22,282
Citibank N.A. (b)	24,000	March 2028	1.04	88,824	5,314	6,758
Total					148,781	224,801

Notes to the combined financial statements

- (a) In March 2021, InRetail Pharma settled the Call Spread early, which maturity was in May 2023 and which hedged the issuance of senior notes by InRetail Pharma up to a value of US\$400,000,000 (see note 15(d)). As a result of this transaction, a total net expense of S/70,141,000 was generated, which is presented as “Financial expenses from the early settlement of Call Spread” in the consolidated income statement; see note 20.
- (b) In March 2021, InRetail Perú corp. through its Subsidiaries, InRetail Pharma S.A., Supermercados Peruanos S.A. and InRetail Consumer (Special Purpose Entity), decided to carry out three hedging operations for US\$288,000,000, US\$288,000,000 and US\$24,000,000, respectively, through three Call Spreads of foreign currency for the financial obligations of the “Senior Secured Notes”, which were issued in March 2021, and the intercompany loans related to the issue.

On September 16 and 17, 2021, InRetail Pharma S.A. and Supermercados Peruanos S.A. decided to exchange each US\$150,000,000 of its Call Spread with two Range Principal Only Swaps of US\$100,000,000 and US\$50,000,000, on the issuance of their Senior Notes Unsecured, which fixed the exchange of currency at the exchange rate of S/4.1045 and S/4.1100 per US\$1.00 and that protects variations the exchange rate between S/3.70 and S/6.00 per US\$1.00, which for the purposes of IFRS 9, qualifies as an effective hedging instrument.

This exchange of the “Call Spread” for the “Range Only Principal Swaps” allows the hedging objective to be met, therefore, the time value of the instrument exchange at the date of the transaction of S/99,901,000 will be recognized in results on a straight-line basis until the maturity of the hedge. As a result of this transaction, a total net expense of S/3,710,000 was generated as of March 31, 2021. See Note 20.

The exchange of the derivative financial instrument includes the partial cancellation of the liability held in Supermercados Peruanos S.A. for the financing received from Citibank for the acquisition of the derivative financial instrument.

As of March 31, 2022 and December 31, 2021, the Call Spreads cover US\$300,000,000 of the exposure in foreign currency of the principal of the issues and protects exchange rate variations between S/3.70 and S/4.20 per US\$1.00 and the Range Only Principal Swap US\$300,000,000 of the exposure in foreign currency of the principal of the issues and protects exchange rate variations between S/3.70 and S/6.00 per US\$1.00. The premium of the Call Spreads of Supermercados Peruanos S.A. and InRetail Consumer S.A. and the premium of the Range Only Principal Swap of Supermercados Peruanos S.A. and InRetail Pharma S.A. were financed in terms equal to those of the issues.

From the date of issue of the “Senior Notes Unsecured” for the purposes of IFRS 9 were classified as effective hedging instruments, see note 15 (b).

Notes to the combined financial statements

10. Property, furniture and equipment, net

(a) The table below presents the changes and composition of this caption:

	As of March 31, 2022	As of December 31, 2021
	S/(000)	S/(000)
Cost		
Initial balance	6,063,173	5,601,952
Acquisition of subsidiary	-	1,015
Additions (b)	108,814	530,326
Disposals and/or sales (c)	(139,635)	(62,025)
Disposal of subsidiary	-	(54,834)
Transfer to intangible assets, Note 12 (a)	-	-
Transfer from investment properties, Note 11 (a)	-	39,328
Foreign currency translation	(5,087)	7,411
Final balance	6,027,265	6,063,173
Accumulated depreciation		
Initial balance	1,934,356	1,760,096
Acquisition of subsidiary	-	198
Additions, Note 19 (a)	66,593	265,222
Disposals and/or sales	(138,589)	(53,176)
Disposal of subsidiary	-	(44,010)
Foreign currency translation	(3,852)	6,026
Final balance	1,858,508	1,934,356
Net book value	4,168,757	4,128,817

- (b) Correspond mainly to the construction and equipment for the new premises of Supermercados Peruanos S.A. and the InRetail Pharma Group.
- (c) Correspond mainly to assets sold and to the disposal of unusable assets as a result of the process of changing formats in some premises. The resulting income or expense has been included in the "Other operating income" or "Other operating expenses" caption of the combined income statement, respectively.
- (d) As of March 31, 2022, the cost and corresponding accumulated depreciation of assets acquired through finance leases was approximately S/766,417,000 and S/318,712,000 respectively (S/756,985,000 and S/312,679,000 respectively, as of December 31, 2021).
- (e) The Companies maintain insurance policies on their main assets in accordance with policies established by Management.

Notes to the combined financial statements

- (f) Depreciation expense for the three-month period ended March 31, 2022 and 2021, was recorded as follows in the income statement:

	2022 S/(000)	2021 S/(000)
Cost of sales, Note 19 (a)	3,303	678
Sales expenses, Note 19 (a)	58,360	55,799
Administrative expenses, Note 19 (a)	4,930	3,430
Balance as of March 31	66,593	59,907
Balance as of December 31, 2021		265,222

11. Investment properties

- (a) The table below presents the composition of this caption:

	As of March 31, 2022 S/. (000)	As of December 31, 2021 S/. (000)
Balance at the beginning of the year	241,632	282,245
Additions	96	2,009
Transfer to property, furniture and equipment, Note 10 (a)	-	(39,328)
Loss on valuation	1,181	(3,294)
Total	242,909	241,632

- (b) As of March 31, 2022, investment properties include eleven properties located in Lima, Moquegua, Tacna, Puno, Tumbes and Tarapoto held to earn income.
- (c) As of March 31, 2022 and December 31, 2021, Management of the Companies performed an evaluation of their investment properties, and has not found any indication of impairment.

Notes to the combined financial statements

12. Intangible assets, net

(a) The table below presents the changes and composition of this caption:

	As of March 31, 2022 S/(000)	As of December 31, 2021 S/(000)
Cost		
Initial balance	1,829,465	1,548,357
Acquisition of subsidiary	-	68,345
Additions	12,515	222,325
Disposal and/or sales	(36,660)	(1,653)
Disposal of subsidiaries	-	(8,499)
Foreign currency translation	(365)	590
Final balance	1,804,955	1,829,465
Accumulated amortization		
Initial balance	494,950	357,730
Acquisition of subsidiary	-	2,281
Additions, Note 19 (a)	20,090	137,607
Disposals and/or sales	(36,661)	(1,620)
Disposal of subsidiaries	-	(1,592)
Foreign currency translation	(332)	544
Final balance	478,047	494,950
Goodwill		
Initial balance	2,631,205	2,722,074
Additions (d)	-	20,521
Adjustment for purchase price allocation	-	(111,390)
Final balance	2,631,205	2,631,205
Net, book value	3,958,113	3,965,720

(b) As of March 31, 2022 and December 31, 2021, this caption mainly includes approximately S/373,054,000 corresponding to the Inkafarma brand, S/395,355,000 to the Mifarma brand, S/205,593,000 to the Makro brand, S/17,791,000 to the Química Suiza brand, S/15,911,000 to the Ninet brand, S/16,028,000 to Agora Brand and S/3,024,000 to other brands.

The brands are tested for impairment annually (as of December 31) and when circumstances indicate that the carrying value may be impaired. The InRetail Consumer Group carry out the impairment test for goodwill and intangible assets with indefinite useful lives based on value-in-use calculations using a discounted cash flow model.

(c) As of March 31, 2022 and December 31, 2021, additions mainly correspond to: (i) disbursements for the acquisition of a commercial software program, a general planning system (ERP) and related licenses; (ii) disbursements for implementation of softwares and licenses in new stores of InRetail Consumer Group and (iii) recognition of trademarks and other intangibles from the acquisition of the Quicorp Group, see Note 1 (b).

Notes to the combined financial statements

- (d) As of March 31, 2022 and December 31, 2021, this caption mainly includes the goodwill, as a result of the acquisition of the Quicorp Group S/1,272,634,000, InRetail Pharma DS.A. S/709,472,000, Makro Supermayorista S.A. S/628,578,000, Agora Servicios Digitales S.A.C. and InDigital XP S.A.C. S/20,521,000. See Note 1(b).

Goodwill is initially measured at cost and after initial recognition they are measured at cost less impairment loss. An impairment test of goodwill and unlimited life brands are carried out annually.

- (e) Amortization expense for the three-month period ended March 31, 2022 and 2021, was recorded as follows in the income statement:

	2022 S/(000)	2021 S/(000)
Cost of Sales, Note 16 (a)	-	78
Sales expenses, Note 16 (a)	12,630	73,808
Administrative expenses, Note 16 (a)	7,460	4,351
Balance as of March 31	20,090	78,237
Balance as of December 31, 2021		137,607

13. Trade payables

- (a) The table below presents the composition of this caption:

	As of March 31, 2022 S/(000)	As of December 31, 2021 S/(000)
Bills payable for purchase of goods	3,417,559	3,357,975
Bills payable for commercial services	300,384	388,962
Provision for services and maintenance	115,976	99,250
Total	3,833,919	3,846,187

- (b) This caption mainly includes obligations to non-related local and foreign suppliers, denominated in local currency and US Dollars, with current maturities and do not accrue any interest. There have been no liens granted on these obligations.

The Companies offer their suppliers access to an accounts payable service arrangement provided by third-party financial institutions. This service allows the suppliers to sell their receivables to the financial institutions in an arrangement separately negotiated by the supplier and the financial institution, enabling suppliers to better manage their cash flow and reduce payment processing costs. The Companies have no direct financial interest in these transactions. All of the Companies obligations, including amounts due, remain due to its suppliers as stated in the supplier agreements.

14. Leases

- (a) The InRetail Consumer Group maintains leasing contracts for land, buildings, facilities and vehicles used for its operations. Leases of land, buildings and facilities generally have terms of 1 to 40 years, and leases of vehicles have terms of 3 to 4 years. The Companies and its Subsidiaries have obligations under its leases, which are guaranteed by the lessor's title of the leased assets.

There are several leases that include extension and termination options and variable payments.

Notes to the combined financial statements

The companies and its Subsidiaries have also entered into certain leases of premises with terms of 12 months or less and leases of low-value office equipment. The Companies and its Subsidiaries apply the short-term and low-value lease exemptions for these kind of leases.

- (b) The movement of this caption for the three-month period ended as of March 31, 2022 and December 31, 2021, is as follows:

	Land S/(000)	Buildings, infrastructure and facilities S/(000)	Vehicles S/(000)	As of March 31, 2022 S/(000)	As of December 31, 2021 S/(000)
Cost					
Initial balance	3,511	2,227,758	3,751	2,235,020	2,172,234
Acquisition of subsidiary	-	-	-	-	-
Additions	-	116,989	-	116,989	313,388
Cancellation of contract (i)	-	(80,209)	-	(80,209)	(230,078)
Disposal of subsidiaries	-	-	-	-	(25,568)
Foreign currency translation	-	(3,391)	(254)	(3,645)	5,044
Final balance	3,511	2,261,147	3,497	2,268,155	2,235,020
Accumulated depreciation					
Initial balance	177	737,975	1,393	739,545	626,429
Acquisition of subsidiary	-	-	-	-	-
Additions, Note 19 (a)	15	87,151	249	87,415	342,379
Cancellation of contract (i)	-	(74,935)	-	(74,935)	(222,661)
Disposal of subsidiaries	-	-	-	-	(8,552)
Foreign currency translation	-	(1,445)	(126)	(1,571)	1,950
Final balance	192	748,746	1,516	750,454	739,545
Net book value	3,319	1,512,401	1,981	1,517,701	1,495,475

- (i) Corresponds mainly to the derecognition of expired contracts, amounting to S/71,655,000 as of March 31, 2022 (S/213,148,000 as of December 31, 2021).

Depreciation expense for the three-month period ended March 31, 2022 and 2021, was recorded as follows in the combined income statement:

	2022 S/(000)	2021 S/(000)
Cost of sales, Note 19 (a)	566	993
Sales expenses, Note 19 (a)	84,976	77,968
Administrative expenses, Note 19 (a)	1,873	2,566
Balance as of March 31	87,415	81,527
Balance as of December 31, 2021		342,379

Notes to the combined financial statements

- (c) The movement of the lease liability caption, as of March 31, 2022 and December 31, 2021, is as follows:

	As of March 31, 2022	As of December 31, 2021
	S/(000)	S/(000)
Initial balance	1,708,994	1,646,870
Additions	116,989	308,594
Increase for accrued interest, Note 20	28,729	121,815
Amortization	(105,573)	(441,933)
Cancellation of contract	(5,460)	(7,507)
Disposal of subsidiaries	-	(20,254)
Payments made at the beginning of the contract	(86)	-
Prepaid rent	(19,034)	(2,949)
Exchange rate	(78,001)	101,226
Foreign currency translation	(2,132)	3,132
Final balance	1,644,426	1,708,994
Current	251,040	263,494
Non-current	1,393,386	1,445,500
Total	1,644,426	1,708,994

Additionally, in the three-month period ended as of March 31, 2022 and 2021, interest related to the lease liability of S/28,729,000 and S/29,356,000 respectively has been accrued.

Notes to the combined financial statements

15. Interest-bearing loans and borrowings

(a) The table below presents the composition of interest-bearing loans and borrowings:

Type of obligation	Original currency	Interest rate %	Final maturity	Original amount		Total		Current		Non-current	
				US\$ (000)	S/(000)	2022	2021	2022	2021	2022	2021
				S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)		
Notes Senior Unsecured											
Senior Secured Notes (b)	PEN	4.900	2028	-	555,000	549,386	549,151	-	-	549,386	549,151
Senior Secured Notes (b)	USD	3.250	2028	600,000	-	2,086,398	2,251,385	-	-	2,086,398	2,251,385
Senior Notes Unsecured (d)	PEN	6.438	2025	-	385,800	384,495	384,413	-	-	384,495	384,413
				<u>600,000</u>	<u>940,800</u>	<u>3,020,279</u>	<u>3,184,949</u>	<u>-</u>	<u>-</u>	<u>3,020,279</u>	<u>3,184,949</u>
Leasing											
Related entities											
Banco Internacional del Perú-Interbank	PEN	4.980	2026	-	198,037	101,675	101,595	-	-	101,675	101,595
Non-related entities											
Banco Interamericano de Finanzas	PEN	4.980	2022	-	24,915	3,738	5,966	3,738	5,966	-	-
Banco Continental	PEN	Between 4.950 and 5.240	2024	-	18,698	7,487	8,414	3,818	3,771	3,669	4,643
Banco de Crédito del Perú	PEN	Between 5.050 and 5.620	2026	-	32,192	26,492	28,421	7,963	7,860	18,529	20,561
Banco Santander del Perú	PEN	Between 6.920 and 7.650	2022	-	1,419	168	267	168	267	-	-
				<u>-</u>	<u>275,261</u>	<u>139,560</u>	<u>144,663</u>	<u>15,687</u>	<u>17,864</u>	<u>123,873</u>	<u>126,799</u>

Notes to the combined financial statements

Type of obligation	Original currency	Interest rate %	Final maturity	Original amount		Total		Current		Non-current	
				US\$ (000)	S/(000)	2022	2021	2022	2021	2022	2021
				S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)		
Loans (i)											
Related entities											
Banco Internacional del Perú-Interbank	PEN	4.980	2024	-	198,037	240,993	195,837	45,000	-	195,993	195,837
Banco Internacional del Perú-Interbank	PEN	0.03	2022	-	17,900	-	17,900	-	17,900	-	-
Banco Internacional del Perú-Interbank (h)	PEN	3.750	2026	-	220,000	218,246	218,109	-	-	218,246	218,109
Non-related entities											
Banco Scotiabank (e)	PEN	Between 3.300 and 4.451	2022, 2025 and 2026	-	986,000	806,957	626,417	203,916	38,572	603,041	587,845
Banco GNB	PEN	5.800	2022	-	15,000	15,000	-	15,000	-	-	-
Banco de Crédito del Perú	PEN	4.270	2022	-	40,000	40,000	25,000	40,000	25,000	-	-
Banco Continental (f)	PEN	Between 2.450 and 4.610	2025 and 2026	-	235,000	227,621	215,532	45,501	21,251	182,120	194,281
Banco Scotiabank (g)	PEN	3.750	2026	-	330,000	327,369	327,166	-	-	327,369	327,166
Banco Scotiabank	PEN	Between 3.630 and 4.800	2022	-	51,000	51,000	-	51,000	51,000	-	-
Banco de Crédito del Perú	PEN	3.09	2022	-	30,000	-	30,000	-	30,000	-	-
Banco de Crédito del Perú	PEN	1.17	2022	-	20,000	-	20,000	-	20,000	-	-
Banco de Crédito del Perú	PEN	5.02	2022	-	20,000	20,000	-	20,000	-	-	-
Banco Continental	PEN	Between 4.920 and 5.170	2022	-	30,000	30,000	-	30,000	-	-	-
Banco Continental	PEN	0.03	2022	-	40,000	-	40,000	-	40,000	-	-
Banco de Crédito del Perú	PEN	1.98	2022	-	60,000	-	60,000	-	60,000	-	-
Banco Scotiabank	PEN	Between 0.031 and 4.700	2022	-	70,000	70,000	30,000	70,000	30,000	-	-
Banco Scotiabank	PEN	0.03	2022	-	40,000	-	40,000	-	40,000	-	-
Banco de Crédito del Perú	PEN	Between 3.500 and 3.600	2022	-	40,000	40,000	-	40,000	-	-	-
Banco Continental	PEN	3.06	2022	-	40,000	40,000	40,000	40,000	40,000	-	-
Banco Continental	PEN	5.17	2022	-	20,000	20,000	-	20,000	-	-	-
Banco Citibank	PEN	Between 3.840 and 4.030	2022	-	20,000	40,000	-	40,000	-	-	-
Banco Citibank	USD	5.00	2022	-	10,000	-	10,281	10,281	16,660	-	-
					10,000	2,522,937	2,197,467	1,953,621	670,698	430,383	1,526,769
										1,523,238	
Derivative financial instruments financing, Note 9											
Citibank N.A.	USD	3.176	2028	8,374	-	28,821	33,478	4,437	4,714	24,384	28,764
Citibank N.A.	PEN	Between 8.442 and 8.665	2028	-	88,076	78,523	83,455	10,569	10,152	67,954	73,303
Citibank N.A.	USD	3.176	2028	1,555	-	5,012	5,822	771	820	4,241	5,002
Citibank N.A.	PEN	Between 8.442 and 8.665	2028	-	48,931	43,624	46,280	5,872	5,556	37,752	40,724
				9,929	137,007	155,980	169,035	21,649	21,242	134,331	147,793
Other obligations to third parties (j)											
Hewlett Packard S.A.	USD	Between 1.450 and 5.564	2027	6,365	-	11,659	11,458	5,064	5,359	6,595	6,099
Hewlett Packard S.A.	USD	Between 2.850 and 4.036	2026 -2027	11,327	-	37,473	27,348	9,338	7,521	28,135	19,827
Inversiones Nueva Capital Peru S.A.	USD	6.293	2025	83	-	290	-	78	-	212	-
				17,775	-	49,422	38,806	14,480	12,880	34,942	25,926
Total				637,704	3,876,005	5,562,708	5,491,074	722,514	482,369	4,840,194	5,008,705

Notes to the combined financial statements

- (b) In March 2021, InRetail Consumer (Special Purpose Entity) issued Senior Secured Notes for US\$600,000,000 (equivalent to S/2,220,600,000 as of March 31, 2022) and S/555,000,000 in the abroad (Luxembourg) and local market; said obligations were recorded in the consolidated financial statements at amortized cost at an effective annual interest rate of 3.446 and 5.104, respectively, after considering the corresponding initial charges of around US\$6,261,000 equivalent to around S/23,171,000 as of March 31, 2022 (US\$6,038,000 equivalent to around S/24,141,000 as of December 31, 2021) and S/5,614,000 as of March 31, 2022 (S/5,849,000 as of December 31, 2021), respectively.

Additionally, it is presented net of US\$30,000,000 equivalent to S/111,030,000 as of March 31, 2022 (US\$30,000,000 equivalent to S/123,274,000 as of December 31, 2021) corresponding to the notes of its own issuance maintained by its subsidiary InRetail Pharma S.A.

The funds obtained from these issuances were mainly used to repay the bridge loan mentioned in note 1 (b). As a result of these issuances, certain obligations and restrictive clauses must be complied with until its maturity and settlement. In the opinion of Management, these clauses do not limit the operations of InRetail Consumer and its subsidiaries and have been complied with as of March 31, 2022 and December 31, 2021.

- (c) In December 2020, InRetail Pharma S.A. received a loan of US\$375,000,000 equivalent to S/1,344,679,000 as of December 31, 2020 granted by J.P. Morgan Chase Bank N.A. with a one-year maturity and interest at the Libor rate plus a margin. This loan was partially used for the acquisition of Makro Supermayorista S.A. US\$359,619,000. In March 2021, the loan was fully paid.
- (d) In May 2018, InRetail Pharma S.A., issued debt instruments ("Notes") denominated in US Dollars through a private offer to institutional investors under Rule 144 A and Regulation S, for US\$400,000,000 equivalent to S/1,449,600,000 as of December 31, 2020 that accrued an interest of 5.375 percent per annual, with a maturity of 5 years and with semiannual payments of interest and the principal in a single installment upon maturity of the securities. In March 2021, the Senior Notes Unsecured were pre-paid.

As indicated in note 9 (a), the Call Spread related to these bonds was settled in advance in the month of March 2021.

Also, in May 2018, the Company issued debt instruments ("Notes") denominated in Soles for S/385,800,000 that bear an annual interest rate of 6.4375 percent, maturing in 7 years and with semiannual interest payments and the principal in a single installment upon maturity of the securities. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 6.559 percent, after considering the respective up-front fees that amounted to S/1,305,000 as of March 31, 2022 (S/1,387,000 as of December 31, 2021).

As a result of these issues, InRetail Pharma must comply, until their maturity and full payment, with certain obligations and covenants.

Notes to the combined financial statements

In the opinion of Management, these covenants do not limit the operations of the Company and its Subsidiaries and have been complied satisfactorily and are within the agreed limits as of March 31, 2022 and December 31, 2021. Likewise, 100 percent of the "Senior Notes Unsecured" is guaranteed by the shares of InRetail Pharma S.A. and Subsidiaries.

- (e) In the first quarter of 2022, Supermercados Peruanos S.A. received three loans from Banco Scotiabank S.A.A. for a total of S/185,000,000, accruing nominal interest of 3.30 and 4.70 percent per year, maturing in April and May 2022; that were used for working capital.

During 2021, the Company received an additional loan from Scotiabank Perú S.A.A. for S/551,000,000, which accrues a nominal interest of 3.99 percent per annum, maturing in 2026; this loan was acquired mainly to pre-pay existing debts with different financial entities and the balance was used as working capital to open new stores. During 2019 and 2018, the Company received loans from Scotiabank Perú S.A.A. for S/150,000,000 and S/100,000,000, at nominal rate of 4.45 percent per annum and with maturities between 2025 and 2026, respectively. As of March 31, 2022 and December 31, 2021, the outstanding balances are represented net of their structuring commission.

- (f) In March 2022, Supermercados Peruanos S.A. received a loan from BBVA Continental S.A. for amount of S/15,000,000, which accrues a nominal interest of 4.61 percent per year with maturity in May 2022. During 2021 and 2020, the Company received loans for S/100,000,000 and S/120,000,000 accruing a nominal interest of 2.451 and 4.151 percent per year with maturities in the year 2026 and 2025.
- (g) In July 2018, InRetail Pharma S.A. received a loan from Scotiabank Peru S.A.A. of S/161,950,000 that accrues a nominal annual interest of 4.70 percent, due in April 2025, payable in quarterly installments. Said loan is recorded at amortized cost at an effective rate of 4.775 percent, after considering the initial charges of S/731,000 as of December 31, 2021.

InRetail Pharma S.A. amortized the debt for the amount of S/57,839,000 as of December 31, 2021. In March 2021, the loan was fully paid.

In March 2021, the company obtained a loan for S/330,000,000 that accrues an annual nominal interest of 3.750 percent maturing in March 2026, payable in quarterly installments. Said loan is recorded at its amortized cost at an effective annual rate of 4.031 percent, after considering the additional charges of S/2,631,000 as of March 31, 2022 (S/2,834,000 as of December 31, 2021).

- (h) In July 2018, InRetail Pharma S.A. received a loan from Banco Internacional del Perú Interbank of S/161,950,000 that accrues a nominal annual interest of 4.70 percent, due in April 2025, payable in quarterly installments. Said loan is recorded at amortized cost at an effective rate of 4.775 percent, after considering the initial charges of S/748,000 as of December 31, 2021.

InRetail Pharma S.A. amortized the debt for the amount of S/57,839,000 as of December 31, 2021. In March 2021, the loan was fully paid.

In March, 2021, the company obtained a loan for S/220,000,000 that accrues an annual nominal interest of 3.750 percent maturing in March 2026, payable in quarterly installments. Said loan is recorded at its amortized cost at an effective annual rate of 4.031 percent, after considering the additional charges of S/1,754,000 as of March 31, 2022 (S/1,891,000 as of December 31, 2021).

Notes to the combined financial statements

- (i) Promissory notes and bank loans are used to fund working capital and do not have any specific guarantee. Leasing operations are guaranteed by the assets related to them; see Note 10. Such obligations do not have any special conditions that must be complied with covenants or restrictions affecting the operations of the Companies.
- (j) Corresponds to the debt that Supermercados Peruanos S.A. and InRetail Pharma S.A. incurred with Hewlett Packard S.A. and Inversiones Nueva Capital S.A. to purchase computer equipment. Said contracts do not have any specific guarantee.
- (k) Debts and interest – bearing loans payable are as follows:

	As of March 31, 2022 S/(000)	As of December 31, 2021 S/(000)
2022	692,283	482,369
2023	119,472	116,304
2024	125,688	768,956
2025	775,425	389,775
2026	1,175,183	895,348
2027 onwards	2,674,657	2,838,322
Total	5,562,708	5,491,074

- (l) During the three-month period ended March 31, 2022 and 2021, loans and borrowings accrued interests which are recorded in the “Financial expenses” caption of the combined income statement, see Note 20. Also, as of March 31, 2022 and December 31, 2021, there are interest payable which are recorded in the “Other payables” caption of the combined statements of financial position.

Notes to the combined financial statements

16. Income tax

- (a) The amounts presented in the combined statement of financial position as of March 31, 2022 and December 31, 2021, as well as the combined statements of comprehensive income for the three-month periods ended March 31, 2022 and 2021 are shown below:

Statements of financial position	As of March 31, 2022		As of December 31, 2021	
	Assets S/(000)	Liabilities S/(000)	Assets S/(000)	Liabilities S/(000)
InRetail Pharma S.A.	27,933	-	30,889	-
Eckerd Amazonia S.A.C.	-	-	-	-
Boticas del Oriente S.A.C.	-	-	-	-
Química Suiza S.A.C.	-	46,420	-	47,065
Cifarma S.A.C.	-	-	-	-
Vanttive S.A.C.	56	-	44	-
Droguería InRetail Pharma S.A.C.	3,863	-	2,780	-
Quicorp S.A.	8	-	20	-
Quifatex S.A.	8,131	-	8,740	-
Vanttive Cía Ltda.	133	-	128	-
Farmacías Peruanas S.A.C.	4,578	-	4,668	-
Quimiza Ltda.	885	-	927	-
Química Suiza S.A. S.A.S. (formerly Quideca S.A.)	-	-	-	-
Mifarma S.A.C.	39,254	-	42,858	-
Albis S.A.C.	-	-	-	-
Boticas IP S.A.C.	16,196	-	18,501	-
Jorsa de la Selva S.A.C.	2,615	-	2,785	-
Operadora de Servicios Logísticos S.A.C.	1,497	-	1,172	-
Supermercados Peruanos S.A.	-	29,572	-	1,510
Plaza Vea Oriente S.A.C.	4,991	-	4,884	-
Makro Supermayorista S.A.	-	17,735	-	17,595
Agora Servicios Digitales S.A.C. (formerly InDigital S.A.C.)	366	-	804	-
InDigital XP S.A.C. (formerly IR Digital S.A.C.)	94	-	153	-
Centro Logístico y Fabricación S.A.C.	1	-	-	-
Compañía Hard Discount S.A.C.	3,561	-	-	-
Compañía de Servicios de Operación Food Retail S.A.C.	2	-	-	-
Back Office Peruanas S.A.C.	2	-	-	-
Combination adjustment	(3,927)	357,518	(1,864)	358,972
Total	110,239	451,245	117,489	425,142

Statements of comprehensive income	Income tax for the three-month periods ended March 31, 2022 and 2021	
	2022 S/(000)	2021 S/(000)
Current	(97,794)	(66,491)
Deferred	(406)	76,205
Income tax expense	(98,200)	9,714

- (b) As of March 31, 2022 the of provision for current income tax payable, amounts to approximately S/7,047,000 (S/14,856,000 as of December 31, 2021).

Notes to the combined financial statements

17. Equity

(a) Capital stock

Company	N° issued common shares		Nominal value	Accounting balance of issued capital	
	As of March 31, 2022	As of December 31, 2021		As of March 31, 2022	As of December 31, 2021
	S/. (000)	S/. (000)	S/. (000)	S/. (000)	
Supermercados Peruanos S.A. and Subsidiaries (*)	331,419,384	331,419,384	1.05	347,990	347,990
InRetail Pharma S.A. and Subsidiaries	15,839,379	13,783,379	1.00	15,840	13,784

(*) As of March 31, 2022 and 2021, 40,417,207 common shares were pending to be regularized; corresponding to cash contributions made during 2014 and 2013, and which were made on par, thus generating a share-issued gain totaling S/327,429,000. During 2019, 10,149,713 shares were issued, at a value of S/1.05 per share, with 40,417,207 shares pending to be regularized.

(b) Additional paid-in capital: As of March 31, 2022 and December 31, 2021, the “Additional paid-in capital” caption includes the net effect of the adjustments related to the acquisition of InRetail Pharma S.A. and Subsidiaries at said dates; see Note 12(b).

(c) Legal reserve: As provided in the Corporation Act, it is required that a minimum of 10 percent of distributable income for each year is transferred to a legal reserve until such reserve equals 20 percent of the capital. The legal reserve can absorb losses or be capitalized, but in both cases it must be replenished. The legal reserve is appropriated when the General Shareholders’ Meeting approves the same.

(d) Treasury shares: As of September 30, 2018, the Company and its subsidiaries acquired 8,507 shares issued by Supermercados Peruanos, for a total of S/39,000, the nominal value of said shares being S/9,000, with a difference of S/30,000 as a decrease of the capital premium.

(e) Dividends

During 2022 and 2021, it was agreed to distribute dividends of S/31,483,000 and S/16,089,000, respectively.

Notes to the combined financial statements

18. Tax Situation

- (a) The Companies domiciled in Peru, Ecuador and Bolivia are subject to the tax regime of each country and calculate the income tax based on their individual financial statements. As of March 31, 2022 and December 31, 2021, the income tax rate is:

Country	%
Perú	29.5
Ecuador	25.0
Bolivia	25.0

- (b) In accordance with current legal provisions; In some countries, as of March 31, 2022 and December 31, 2021, cash dividends in favor of non-domiciled shareholders are subject to income tax at the following rates:

	Tax rate	
	2022	2021
	%	%
Perú (i)	5.0	5.0
Ecuador (ii)	10.0	10.0
Bolivia	12.5	12.5

- (i) By Legislative Decree No. 1261, published on December 10, 2016, the 5 percent withholding rate applicable to dividends and any other form of profit distribution from Peruvian sources was modified. The aforementioned rate is applicable to the distribution of dividends or profits adopted or made available, whichever occurs first, as of January 1, 2017. The aforementioned rate does not apply to accumulated income or other liable to generate taxable dividends obtained between January 1, 2015 and December 31, 2016 –in which case a 6.8 percent withholding rate is applied or to accumulated income as of December 31, 2014 – in which case a 4.1 percent withholding rate is applied.
- (ii) The Internal Tax Regime Act indicates that, in general, dividends distributed after income tax are not subject to withholding, unless the beneficial owner is an Ecuadorian natural person – in which case a withholding tax (10 or 14 percent, depending on the applied corporate rate) is applied. In addition, when the income tax rate applied by the company is 25 percent or less, the withholding percentage applicable to the dividends distributed to companies domiciled in tax havens is 10 percent. Resolution No. NAC-DGERCGC20-00000013, published in February 2020, introduced other cases subject to withholding tax at source on distributed dividends.
- (c) According to the text of the Law on Income Tax, as amended by Law N° 29663 and 29757, as of 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:
- First, 10 percent on more of the shares of non-resident must be sold in any twelve month period; and,
 - Second, the market value of the shares of the Peruvian society must represent 50 percent or more the market value of non-domiciled, in any period of twelve months.

Notes to the combined financial statements

- (d) For purposes of determining the Income Tax, transfer pricing of transactions with related companies and companies domiciled in territories with low or no taxation must be supported with documentation and information on assessment methods applied and criteria considered. Based on the analysis of the operations of the Group, Management and its legal advisors consider that as a consequence of the application of the regulation in force, there will not be any significant contingencies for the Companies as of March 31, 2022 and December 31, 2021.
- (e) The tax authority is legally entitled to review and, if necessary, adjust the Income Tax computed during a term of four years following the year in which the tax declaration was submitted.

Following are the years subject to review by the tax authority of the Companies:

	Income Tax	Value added tax
Supermercados Peruanos S.A.	From 2016 to 2021	From 2018 to 2022
Plaza Vea Oriente S.A.C.	From 2018 to 2021	From 2018 to 2022
Plaza Vea Sur S.A.C.	From 2017 to 2020	From 2018 to 2020
Desarrolladora de Strip Center S.A.C.	From 2017 to 2021	From 2018 to 2022
InRetail Pharma S.A.	2017 and from 2019 to 2021	From 2018 to 2022
Eckerd Amazonía S.A.C.	From 2017 to 2021	From 2018 to 2021
Boticas del Oriente S.A.C.	From 2017 to 2021	From 2018 to 2021
Quicorp S.A.	From 2017 to 2021	From 2018 to 2022
Química Suiza S.A.C.	From 2017 to 2021	From 2018 to 2022
Mifarma S.A.C.	From 2017 to 2021	From 2018 to 2022
Albis S.A.C.	From 2017 to 2021	From 2018 to 2021
Jorsa de la Selva S.A.C.	From 2017 to 2021	From 2018 to 2022
Vanttive S.A.C.	From 2017 to 2021	From 2018 to 2022
Superfarma Mayorista S.A.C.	From 2017 to 2018	2018
Quimiza Ltda. (Bolivia)	From 2015 to 2021	From 2016 to 2022
Quifatex S.A. (Ecuador)	From 2019 to 2021	From 2019 to 2022
Vanttive Cía. Ltda (Ecuador)	From 2017 to 2021	From 2018 to 2022
Farmacias Peruanas S.A.	From 2017 to 2018	2018
Boticas Torres de Limatambo S.A.C	From 2017 to 2018	2018
Droguería La Victoria S.A.C.	From 2017 to 2018	2018
Química Suiza Comercial S.A.C.	From 2017 to 2018	2018
Farmacias Peruanas S.A.C.	from 2020 to 2021	From 2020 to 2022
Droguería InRetail Pharma S.A.C.	From 2019 to 2021	From 2019 to 2022
Makro Supermayorista S.A.	From 2017 to 2021	From 2018 to 2022
InRetail Foods S.A.C.	from 2020 to 2021	From 2020 to 2021
Operadora de Servicios Logísticos S.A.C.	2021	From 2021 to 2022
FP Servicios Generales S.A.C.	2021	From 2021 to 2022
Boticas IP S.A.C.	2021	From 2021 to 2022
Agoras Servicios Digitales S.A.C. (formerly InDigital S.A.C.)	From 2019 to 2021	From 2019 to 2022
InDigital XP S.A.C. (formerly IR Digital S.A.C.)	From 2019 to 2021	From 2019 to 2022
Compañía Hard Discount S.A.C.	-	2022

According to Peruvian law, InRetail Consumer is not considered an income taxpayer due to its status as a trust. InRetail Consumer attributes its 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.

Due to possible interpretations that the authority may give to legislation, it is not possible to determine, to date, whether the reviews will result in liabilities for the Companies. Therefore, any major tax or surcharge that may result from eventual revisions by the tax authority would be charged to the combined statements of comprehensive income of the period in which said tax or surcharge is determined.

Notes to the combined financial statements

Management's opinion as well as its legal advisors opinion, any eventual additional tax settlement would not be significant to the combined financial statements as of March 31, 2022 and December 31, 2021.

- (f) As of March 31, 2022 and December 31, 2021, estimated losses from previous periods for Subsidiaries for tax purposes are the following:

	2022	2021
	S/ (000)	S/ (000)
InRetail Pharma S.A.	53,831	20,839
Agora Servicios Digitales S.A.C. (antes InDigital S.A.C.)	84,226	71,560
Total	138,057	92,399

According to what the Income Tax Act and its amendments establish, entities domiciled in Peru have the faculty to choose one of the following methods to draw their tax losses:

- i. The tax loss can be offset with future profits until its final extinction by applying said loss to up to 50 percent of the taxable income; or
- ii. The tax loss can be used for four years after it has been generated.

Agora Servicios Digitales S.A.C. has chosen method (i) and InRetail Pharma S.A. method (ii).

19. Operating expenses

- (a) The table below presents the components of this caption:

	2022	2021
	S/(000)	S/(000)
Cost of sales	3,375,629	3,130,951
Selling expenses	764,593	744,411
Administrative expenses	139,534	123,168
Total	4,279,756	3,998,530

The table below presents the components of operating expenses included in cost of sales, sales and administrative expenses captions:

Notes to the combined financial statements

	2022			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods	2,321,077	-	-	2,321,077
Initial balance of raw material, Note 6 (a)	879	-	-	879
Initial balance of miscellaneous supplies, Note 6 (a)	874	-	-	874
Purchase of goods	3,624,368	-	-	3,624,368
Final balance of goods, Note 6 (a)	(2,609,976)	-	-	(2,609,976)
Final balance of raw material, Note 6 (a)	(392)	-	-	(392)
Final balance of miscellaneous supplies, Note 6 (a)	(1,064)	-	-	(1,064)
Impairment of inventories, Note 6 (c)	11,614	-	-	11,614
Cost of services	24,350	-	-	24,350
Personnel expenses	-	290,652	69,000	359,652
Depreciation, Note 10 (a)	3,303	58,360	4,930	66,593
Depreciation of right-of uses asset, Note 14 (b)	566	84,976	1,873	87,415
Amortization, Note 12 (a)	-	12,630	7,460	20,090
Services provided by third parties (b)	-	137,579	32,948	170,527
Advertising	-	40,223	585	40,808
Packing and packaging	-	8,912	265	9,177
Rental of premises	-	11,737	981	12,718
Low-value asset leases	30	11,876	3,950	15,856
Taxes	-	9,859	4,773	14,632
Provision for doubtful trade receivables, Note 5(g)	-	1,616	75	1,691
Recovery of doubtful trade receivables, Note 5 (g)	-	(759)	-	(759)
Provision for doubtful other account receivables	-	88	1,822	1,910
Insurance	-	5,123	987	6,110
Other charges (c)	-	91,721	9,885	101,606
Total	3,375,629	764,593	139,534	4,279,756

Notes to the combined financial statements

	2021			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods,	2,012,314	-	-	2,012,314
Initial balance of raw material	19,552	-	-	19,552
Initial balance of miscellaneous supplies	550	-	-	550
Initial balance of finished goods	455	-	-	455
Purchase of goods	3,171,970	-	-	3,171,970
Final balance of goods	(2,098,450)	-	-	(2,098,450)
Final balance of raw material	(105)	-	-	(105)
Final balance of miscellaneous supplies	(340)	-	-	(340)
Impairment of inventories	11,888	-	-	11,888
Cost of services	6,282	-	-	6,282
Factory overhead	4,702	-	-	4,702
Personnel expenses	-	262,293	71,118	333,411
Depreciation, Note 10 (a)	678	55,799	3,430	59,907
Depreciation of right-of uses asset, Note 14 (b)	993	77,968	2,566	81,527
Amortization, Note 12 (a)	78	73,808	4,351	78,237
Services provided by third parties (b)	-	131,474	26,323	157,797
Advertising	-	32,000	-	32,000
Packing and packaging	-	6,888	339	7,227
Rental of premises	-	9,658	13	9,671
Low-value asset leases	384	4,891	2,932	8,207
Taxes	-	11,745	3,351	15,096
Provision for doubtful trade receivables, Note 5 (f)	-	3,755	61	3,816
Recovery of doubtful trade receivables, Note 5 (f)	-	(1,565)	(25)	(1,590)
Provision for doubtful others account receivables	-	134	141	275
Recovery of doubtful other account receivables	-	(470)	-	(470)
Insurance	-	5,770	540	6,310
Other charges (c)	-	70,263	8,028	78,291
Total	3,130,951	744,411	123,168	3,998,530

(b) Correspond mainly to expenses of electricity, water, telephone, premises maintenance services and transport services.

(c) Mainly include general expenses in stores.

Notes to the combined financial statements

20. Financial income and expenses

(a) The table below presents the components of this caption:

	2022 S/(000)	2021 S/(000)
Finance income		
Interest and others	4,871	1,122
Dividends	-	973
Interest from loans to related parties	33	32
Total	4,904	2,127
Finance cost		
Interest on loans, borrowings and bonds payable	50,479	50,648
Interest on lease liabilities, Note 14 (c)	28,729	29,356
Accrual of the cost of structuring of financial obligations	2,310	17,548
Accrual of the cost of structuring by early settlement of "Senior Notes Unsecured" (d)	-	11,983
Interest on the financing of "Call Spread"	3,014	581
Expenses for advanced settlement of "Call Spread" (e)	-	70,141
Premium accrual "Call Spread"	9,124	3,646
Interest on loans to related parties	53	56
Premium for early settlement of bonds (c)	-	47,530
Expenses for advanced settlement of "Call Spread" (e)	3,710	-
Other financial costs	7,542	3,496
Total	104,961	234,985

- (b) As of March 31, 2022 and December 31, 2021, there are interest payable for these obligations for approximately S/24,599,000 and S/43,783,000, respectively, which are recorded in the "Other payables" caption of the combined statements of financial position.
- (c) As of March 31, 2021, includes the premium corresponding to the early redemption of the "Senior Notes Unsecured" issued by InRetail Pharma in Dollars for US\$12,794,000 equivalent to S/47,530,000.
- (d) As of March 31, 2021, corresponds to the accrual of the structuring costs related to the early redemption of the "Senior Notes Unsecured" issued by InRetail Pharma in Dollars for US\$3,284,000 equivalent to S/11,983,000.
- (e) As of March 31, 2021, it corresponds to the transfer of other comprehensive income to income for the period, related to the early settlement of the "Call Spread". See Note 9(a).

Notes to the combined financial statements

21. Transactions with related parties

- (a) The following table provides the total amount of transactions with related parties for the relevant financial periods ended March 31, 2022 and 2021:

	2022 S/(000)	2021 S/(000)
Income		
Sales	7,869	6,774
Rental income	7,224	5,871
Services income	6,290	3,209
Interest income	-	11,862
Other	14,416	9,652
Total	35,799	37,368
Expenses		
Renting of premises and land	2,787	878
Reimbursement of expenses	4,813	5,346
Commissions	12,941	1,148
Interest	6,917	151
Others	16,673	11,478
Total	44,131	19,001

- (b) As a result of the transactions with related companies, the Companies recorded the following balances of receivables and payables as of March 31, 2022 and December 31, 2021:

	As of March 31, 2022 S/(000)	As of December 31, 2021 S/(000)
Receivables		
Financiera Oh! S.A.	24,265	17,659
Homecenters Peruanos S.A.	14,351	7,920
Tiendas Peruanas S.A.	8,040	7,417
IR Management S.R.L.	3,400	3,286
Home Centers Oriente S.A.C.	972	393
Other	24,289	28,114
Total	76,579	65,515

Notes to the combined financial statements

	As of March 31, 2022	As of December 31, 2021
	S/(000)	S/(000)
Payables		
Interproperties Holding (g)	51,601	50,948
Homecenters Peruanos S.A (g)	46,149	44,578
Financiera Oh! (e)	24,677	33,611
IR Management S.R.L.	9,665	7,517
Tiendas Peruanas S.A	4,837	7,072
Inmobiliaria Milenia S.A.	865	726
Real Plaza S.A.	754	684
Intercorp Retail Inc.	-	114
Banco Internacional del Perú S.A.A. – Interbank:		
Guarantee deposit (f)	2,997	3,102
Others	8,273	4,883
Total	149,818	153,235
Remunerations payable to key management	-	-
Total	149,818	153,235
Current portion	57,576	61,844
Non-current portion	92,242	91,391
Total	149,818	153,235

The policy of the InRetail Consumer Group is to make transactions with related companies at terms equivalent to those that prevail in arm's length transactions.

- (c) Outstanding balances at the year-end are unsecured and interest free, except for the financial obligations explained in note 15. There have been no guarantees provided or received for any related party receivables or payables. For the twelve month periods ended March 31, 2022 and 2021, the Companies have not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.
- (d) In April 2021, the Company granted a loan to Intercorp Retail Inc. of US\$12,000,000 (equivalent to S/45,096,000 on the date of disbursement) that accrues an annual nominal interest of 1.670 percent and matures in July 2021. In June and September 2021, Intercorp Retail made an amortization of US\$5,000,000 (equivalent to S/19,925,000) and US\$17,000,000 (equivalent to S/28,480,000).
- (e) In June, 2013, Supermercados Peruanos S.A. and Financiera Oh! S.A., a related entity, signed the "Contract of Issuance and Administration of the "Oh!" credit card". This contract allows that Financiera Oh! S.A. can exclusively operate its "Oh!" credit card in the Supermercados Peruanos stores.

Likewise, as a consequence of such contract, as of March 31, 2022 and December 31, 2021, Supermercados Peruanos S.A. holds accounts payable to Financiera Oh! S.A. for approximately S/24,677,000 and S/23,817,000 respectively, which corresponded mainly to the collection of installments to users of the "Oh!" credit card, which normally are transferred to Financiera Oh! S.A. the day following of its collection.

- (f) During 2020, Supermercados Peruanos S.A. renewed the contracts with Banco Internacional del Perú to rent financial modules located within our stores for an amount of S/3,393,000 as of March 31, 2022 and December 31, 2021. As of March 31, 2022 and December 31, 2021, the net present value of the balances related to the guarantee deposits amounted to S/2,997,000 and S/3,102,000, respectively.

Notes to the combined financial statements

- (g) As of March 31, 2022 mainly includes contributions from the affiliates Patrimonio en Fideicomiso D.S. N°093-2002-EF Interproperties Perú and Homecenters Peruanos S.A. for approximately S/49,042,000 and S/40,203,000, respectively (S/48,391,000 and S/39,898,000 as of December 31, 2021), these contributions arise from the joint venture agreements celebrated with the Company which establishes that the associates undertake to deliver cash in favor of the Company in exchange of having a participation in the results of the projects Mall "La Curva", "Tarapoto" and "Lurin". These agreements have a term of 30 and 60 years, respectively. For this reason it is recognized as a long-term liability.

22. Deferred revenue

The table below presents the components of this caption:

	As of March 31, 2022 S/(000)	As of December 31, 2021 S/(000)
Other operating leases as lessor	21,054	21,857
Loyalty program	15,228	13,986
Other deferred revenue	12,335	12,441
Total	48,617	48,284
Current portion	19,234	17,985
Non-current portion	29,383	30,299
Total	48,617	48,284

In 2009, Supermercados Peruanos S.A. signed a rental agreement with Patrimonio en Fideicomiso D.S. N°093-2002-EF Interproperties Perú, of a property located in Arequipa for a period of 30 years. During the year 2016, the Company received from its related party Patrimonio en Fideicomiso D.S. N°093-2002-EF Interproperties Perú S/15,300,000 as lost profits for the transfer to a third party, of a part of the property leased by the Company. As of March 31, 2022, the balance is S/7,395,000 (S/7,501,000 as of December 31, 2021). During 2022, S/105,000 has been recognized as accrued amount as an income (S/104,000, during 2021).

23. Commitments and contingencies

Commitments:

- (a) As of March 31, 2022, the Company and its Subsidiaries agreed with various financial entities to issue joint and irrevocable surety letters for amounts approximately S/63,099,000, US\$7,995,000, and B\$188,000 (S/65,088,000, US\$8,281,000 and B\$237,000 as of December 31, 2021) and letters of credit for amounts ascending approximately US\$29,870,000 (US\$49,681,000 as of December 31, 2021), for the fulfillment of the payment for the purchase of merchandise from foreign suppliers and commitment to faithful fulfillment of the contract.

Notes to the combined financial statements

- (b) In May 2018 the Company issued debt instruments in the local and abroad markets for S/385,800,000 and US\$400,000,000, respectively, which is guaranteed by the following subsidiaries: Quicorp S.A., Química Suiza S.A.C., Mifarma S.A.C. and Albis S.A.C. In March 2021, the issue of US\$400,000,000 was paid in full.

In March 2021, InRetail Consumer (Special Purpose Entity) issued Senior Secured Notes for US\$600,000,000 and S/555,000,000, which are guaranteed by the intercompany loans with Supermercados Peruanos S.A. and InRetail Pharma S.A.

Contingencies:

- (a) InRetail Pharma S.A., Albis S.A.C., Química Suiza S.A.C., Mifarma S.A.C., Jorsa de la Selva S.A.C. and Vanttive S.A.C. maintain various civil, labor and tax legal processes for a total amount of approximately S/48,124,000 as of March 31, 2022 (S/52,988,000 as of December 31, 2021). In Management's opinion and its legal advisors, such legal processes must be resolved favorably for these components; consequently, it is not necessary to recognize additional related liabilities as of March 31, 2022 and December 31, 2021.
- (b) Eckerd Amazonia S.A.C. is in the process of claiming against the Tax Authority for determinations of debts and fines related to VAT for the period between January 2003 and June 2005 for approximately S/17,698,000. In Management's opinion and its legal advisors, these contingencies are considered as "Possible" and significant liabilities will not arise as a result of these as of March 31, 2022 and 2021. In July 2021, the tax court issued an unfavorable resolution to the Company for which a payment of S/17,698,000 has been made and recognized an expense of S/9,658,000, the Company will continue with the claim.
- (c) Supermercados Peruanos S.A. maintains labor processes and other processes related to its business operation by approximately S/4,347,000 and S/5,464,000, respectively, classified as "possible".
- (d) Supermercados Peruanos S.A. has been audited for the years 2004 to 2015, 2013 and 2015. As of the date of this report, the Company has challenged these rulings and, in the opinion of Management and its legal advisors, no significant liabilities will arise as a result of these situation, as of March 31, 2022 and December 31, 2021.

24. Business segments

For management purposes, the Companies are organized into business units based on their products and services and they have three reportable segments i) Food Retail, ii) Pharma and iii) Digital. No operating segments have been aggregated to form the above reportable operating segments.

Management 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 combined financial statements.

Transfer pricing between operating segments is on an arm's length basis in a manner similar to all transactions with third parties.

Notes to the combined financial statements

The following table presents the financial information of Companies by business segments for the three -month periods ended March 31, 2022 and 2021:

	Pharma				Total Pharma S/(000)	Digital S/(000)	Total segments S/(000)	Combination adjustments and intercompany eliminations S/(000)	Combined S/(000)
	Food retail S/(000)	Pharmacies S/(000)	Distribution S/(000)	Adjustments and intercompany eliminations S/(000)					
For the three-month periods ended March 31, 2022									
Revenue									
External income	2,520,890	1,509,681	517,298	-	2,026,979	5,639	4,553,508	-	4,553,508
Inter-segment	3,225	22,085	193,618	(207,979)	7,724	3,587	14,536	(14,536)	-
Total revenue	2,524,115	1,531,766	710,916	(207,979)	2,034,703	9,226	4,568,044	(14,536)	4,553,508
Cost of sales	(1,953,193)	(978,095)	(441,455)	-	(1,419,550)	(2,886)	(3,375,629)	-	(3,375,629)
Inter-segment	(56)	(17,772)	(195,629)	207,148	(6,253)	(115)	(6,424)	6,424	-
Gross profit	570,922	535,899	73,832	(831)	608,900	6,340	1,185,991	(8,112)	1,177,879
Loss on valuation at fair value of investment	1,181	-	-	-	-	-	1,181	-	1,181
Selling expenses	(374,685)	(325,880)	(43,071)	(6,235)	(375,186)	(19,273)	(769,144)	4,551	(764,593)
Administrative expenses	(61,834)	(62,786)	(16,102)	303	(78,585)	(967)	(141,386)	1,852	(139,534)
Other operating income, net	11,685	5,850	917	-	6,767	2,081	20,533	(18)	20,515
Operating profit	147,269	153,083	15,576	(6,763)	161,896	(11,819)	297,175	(1,727)	295,448
Exchange difference, net	77,264	25,860	(2,559)	-	23,301	(702)	99,863	(21,115)	78,748
Finance income	1,808	2,335	288	(102)	2,521	6	4,335	569	4,904
Finance costs	(58,612)	(42,206)	(3,514)	125	(45,595)	(60)	(104,267)	(694)	(104,961)
Profit before income tax	167,729	139,072	9,791	(6,740)	142,123	(12,575)	297,106	(22,967)	274,139
Income tax expense	(54,144)	(42,620)	(7,773)	1,839	(48,554)	(1,642)	(104,340)	6,140	(98,200)
Profit for the year	113,585	96,452	2,018	(4,901)	93,569	(14,217)	192,766	(16,827)	175,939
Attributable to:									
Owner of the parent	113,529	96,452	2,018	(4,901)	93,569	(14,332)	192,766	(24,314)	168,452
Non-controlling interests	-	-	-	-	-	-	-	7,487	7,487
Profit for the year	113,529	96,452	2,018	(4,901)	93,569	(14,332)	192,766	(16,827)	175,939

Notes to the combined financial statements

	Pharma					Digital S/(000)	Total segments S/(000)	Combination adjustments and intercompany S/(000)	Combined S/(000)
	Food retail S/(000)	Pharmacies S/(000)	Distribution S/(000)	Adjustments and intercompany eliminations S/(000)	Total Pharma				
For the three-month periods ended March 31, 2021									
Revenue									
External income	2,258,590	1,504,242	483,840	-	1,988,082	-	4,246,672	-	4,246,672
Inter-segment	3,315	10,497	183,780	(186,928)	7,349	-	10,664	(10,664)	-
Total revenue	2,261,905	1,514,739	667,620	(186,928)	1,995,431	-	4,257,336	(10,664)	4,246,672
Cost of sales	(1,754,316)	(974,977)	(401,658)	-	(1,376,635)	-	(3,130,951)	-	(3,130,951)
Inter-segment	-	(7,443)	(183,983)	185,052	(6,374)	-	(6,374)	6,374	-
Gross profit	507,589	532,319	81,979	(1,876)	612,422	-	1,120,011	(4,290)	1,115,721
Loss on valuation at fair value of investment	(1,422)	-	-	-	-	-	(1,422)	-	(1,422)
Selling expenses	(344,517)	(291,646)	(44,074)	(67,771)	(403,491)	-	(748,008)	3,597	(744,411)
Administrative expenses	(57,751)	(46,740)	(17,107)	512	(63,335)	-	(121,086)	(2,082)	(123,168)
Other operating income, net	10,099	(182)	1,307	(3,779)	(2,654)	-	7,445	8	7,453
Operating profit	113,998	193,751	22,105	(72,914)	142,942	-	256,940	(2,767)	254,173
Exchange difference, net	(59,771)	(14,659)	2,669	-	(11,990)	-	(71,761)	(3,496)	(75,257)
Finance income	32	118,782	114,872	(231,688)	1,966	-	1,998	129	2,127
Finance costs	(46,187)	(176,199)	(1,889)	88	(178,000)	-	(224,187)	(10,798)	(234,985)
Loss before income tax	8,072	121,675	137,757	(304,514)	(45,082)	-	(37,010)	(16,932)	(53,942)
Income tax expense	(4,835)	10	(7,459)	22,033	14,584	-	9,749	(35)	9,714
Loss for the year	3,237	121,685	130,298	(282,481)	(30,498)	-	(27,261)	(16,967)	(44,228)
Attributable to:									
Owner of the parent	3,237	121,685	130,298	(282,481)	(30,498)	-	(27,261)	(13,009)	(40,270)
Non-controlling interests	-	-	-	-	-	-	-	(3,958)	(3,958)
Loss for the year	3,237	121,685	130,298	(282,481)	(30,498)	-	(27,261)	(16,967)	(44,228)

Notes to the combined financial statements

Geographic information –

As of March 31, 2022 and December 31, 2021, the operations of all companies are mainly carried out in Peru, their income from foreign clients being not significant, and they do not maintain significant assets located in other countries to that date.

25. Fair value

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

When a financial instrument is traded in 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, other estimation techniques may be used to determine such fair value, including the current market value of another financial instrument that is substantially similar, discounted cash flow analysis or other techniques applicable, all of which are significantly affected by the assumptions used. 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 or settlement value.

The following methods and assumptions were used to estimate the fair value of the main financial instruments:

- (a) Financial instruments whose fair value are similar to book value
Assets and liabilities that are liquid or have short maturities (less than three months), such as cash and short-term deposits, trade and other receivables, trade and another payables and other current liabilities, approximate to their carrying amounts largely due to the short-term maturities of these instruments.
- (b) Fixed-rate financial instruments
The fair value of financial assets and liabilities at fixed interest rates and amortized cost is determined by comparing market interest rates at their initial recognition to current market rates related to similar financial instruments. The estimated fair value of interest-bearing deposits is determined through discounted cash flows by using market interest rates in the prevailing currency with similar maturities and credit risks.
- (c) Investment at fair value through equity
Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available. Fair value of unquoted available-for-sale financial assets is estimated using a discounted cash flow technique.

Notes to the combined financial statements

Fair value hierarchy

The Companies use the following hierarchy to record or disclose, as required by the IFRS, the fair value of the financial instruments and investment properties recorded in the combined statements of financial position:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The companies do not hold financial instruments whose fair value was determined through level 3, nor were there inter-level transfers during the three-month periods ended March 31, 2022 and 2021. The Companies holds the following financial instruments at fair value:

- Available-for-sale investments whose fair value was determined under level 1 hierarchy.
- Derivative instrument whose fair value was determined under level 2 hierarchy.
- Bonds issued, and debts and loans that accrue interests, whose exposure fair values were determined through the Level 2 hierarchy.

26. Subsequent events

- a) The Company's Management and its Subsidiaries continue monitoring the evolution of the situation and the guidance of national and international authorities, since events beyond Management's control may arise that require modifying the established business plan. Further spread of COVID-19 and subsequent measures taken to limit the spread of the disease could affect the ability to conduct business in the normal way and therefore affect financial condition and results of operations.