

InRetail Perú Corp. and Subsidiaries

Interim consolidated financial statements as of March 31, 2022 (unaudited) and December 31, 2021 (audited) and for the three-month period ended March 31, 2022 and 2021

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Interim consolidated financial statements as of March 31, 2022 and December 31, 2021 and for the three-month period ended March 31, 2022 and 2021

Contents

Interim consolidated financial statements

Interim consolidated statements of financial position

Interim consolidated income statements

Interim consolidated statements of comprehensive income

Interim consolidated statements of changes in equity

Interim consolidated statements of cash flows

Notes to the interim consolidated financial statements

InRetail Perú Corp. and Subsidiaries

Interim consolidated statements of financial position

As of March 31, 2022 (unaudited) and December 31, 2021 (audited)

	Note	2022	2021		Note	2022	2021
		S/(000)	S/(000)			S/(000)	S/(000)
Assets				Liabilities and equity			
Current assets				Current liabilities			
Cash and cash equivalents	4	820,874	917,420	Trade payables	11	3,875,757	3,898,458
Investments at fair value through profit or loss		41,271	121,768	Other payables		610,868	600,933
Trade receivables, net	5	634,598	634,780	Accounts payable to related parties	19(b)	350,289	52,673
Other account receivables, net		113,748	131,600	Current income tax	14(b)	7,047	14,586
Accounts receivables from related parties	19(b)	109,244	100,721	Interest-bearing loans and borrowings	13	789,193	640,322
Inventories, net	6	2,845,862	2,617,744	Deferred revenue		25,115	24,763
Prepayments		45,247	18,258	Lease liability	12(c)	244,292	256,628
Taxes recoverable		292,645	283,820	Total current liabilities		5,902,561	5,488,363
Total current assets		4,903,489	4,826,111	Non-current liabilities			
Non-current assets				Trade payables	11	5,971	6,809
Other receivables, net		109,964	103,209	Accounts payable to related parties	19(b)	43,200	43,000
Accounts receivables from related parties	19(b)	29,617	27,432	Other payables		2,956	2,230
Taxes recoverable		17,213	20,076	Interest-bearing loans and borrowings	13	6,899,524	7,176,365
Derivative financial instruments	7	218,863	334,555	Income tax related to Special Purpose Entities	14(b)	376,197	356,989
Property, furniture and equipment, net	8	4,579,498	4,541,548	Deferred revenue		35,253	36,212
Investment properties	9	4,040,498	4,033,013	Deferred income tax liabilities, net	14(a)	485,029	457,674
Right-of-use assets, net	12(b)	1,373,183	1,351,300	Reserves for employee retirement pension funds		23,414	27,111
Intangible assets, net	10	1,343,960	1,351,593	Lease liability	12(c)	1,271,949	1,326,076
Goodwill	10	2,631,206	2,631,205	Derivative financial instruments		9,560	-
Deferred income tax assets, net	14(a)	125,345	131,735	Total non-current liabilities		9,153,053	9,432,466
Other assets		2,461	2,463	Total liabilities		15,055,614	14,920,829
Total non-current assets		14,471,808	14,528,129	Equity			
Total assets		19,375,297	19,354,240	Capital stock	15(a)	2,138,566	2,138,566
				Treasury shares	15(c)	(57,636)	(57,636)
				Capital premium	15(b)	1,243,357	472,967
				Unrealized results on derivative financial instruments		(98,078)	(168,122)
				Unrealized results from foreign currency translation		3,828	3,562
				Unrealized results from actuarial reserve for retirement		739	643
				Retained earnings		1,092,678	1,990,313
				Equity attributable to owners of the parent		4,323,454	4,380,293
				Non-controlling interest		(3,771)	53,118
				Total equity		4,319,683	4,433,411
				Total liabilities and equity		19,375,297	19,354,240

The accompanying notes are an integral part of these consolidated statements.

InRetail Perú Corp. and Subsidiaries

Interim consolidated Income statements

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

	Note	First quarter			
		2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)
Revenue from ordinary activities					
Net sales of goods		4,456,812	4,156,450	4,456,812	4,156,450
Rental income		129,266	100,777	129,266	100,777
Rendering of services		105,932	86,405	105,932	86,405
Revenue		4,692,010	4,343,632	4,692,010	4,343,632
Cost of sales	17(a)	(3,428,776)	(3,171,638)	(3,428,776)	(3,171,638)
Gross profit		1,263,234	1,171,994	1,263,234	1,171,994
(Loss) gain on valuation at fair value of investment properties	9(b)	(18,857)	9,889	(18,857)	9,889
Selling expenses	17(a)	(757,982)	(740,261)	(757,982)	(740,261)
Administrative expenses	17(a)	(157,248)	(135,927)	(157,248)	(135,927)
Other operating (expenses) income, net		21,696	7,559	21,696	7,559
Operating profit		350,843	313,254	350,843	313,254
Financial income		5,689	1,552	5,689	1,552
Financial expenses	18(a)	(142,658)	(269,316)	(142,658)	(269,316)
Exchange difference, net		133,072	(80,426)	133,071	(80,426)
Profit (loss) before income tax		346,946	(34,936)	346,945	(34,936)
Income tax expense	14(a)	(128,071)	202	(128,071)	202
Net profit (loss)		218,875	(34,734)	218,874	(34,734)
Attributable to:					
InRetail Perú Corp. shareholders		211,388	(30,776)	211,387	(30,776)
Non-controlling interest		7,487	(3,958)	7,487	(3,958)
Net profit (loss)		218,875	(34,734)	218,874	(34,734)
Earnings (loss) per share:					
Basic and diluted profit for the period attributable to ordinary equity holders of the parent	20	2.129	(0.338)	2.129	(0.338)

All items above are related to continuing operations.

The accompanying notes are an integral part of these consolidated statements.

InRetail Perú Corp. and Subsidiaries

Interim consolidated statements of comprehensive income
For the three-month period ended March 31, 2022 and 2021

	2022 S/(000)	2021 S/(000)	First quarter	
			2022 S/(000)	2021 S/(000)
Profit (loss) for the period	218,875	(34,734)	218,874	(34,734)
Other comprehensive income				
Unrealized gain (loss) on hedging derivative financial instrument	109,320	(11,459)	109,320	(11,459)
Income tax related to Special Purpose Entities	-	(3,324)	-	(3,324)
Income tax	(32,195)	(6,398)	(32,195)	(6,398)
Total other comprehensive income on hedging derivative financial instruments	77,125	(21,181)	77,125	(21,181)
Unrealized results from foreign currency translation	(265)	1,114	(265)	1,114
Total other comprehensive income from foreign currency translation	(265)	1,114	(265)	1,114
Other comprehensive income for the period, net of income tax effects	76,860	(20,067)	76,860	(20,067)
Total comprehensive income for the period	295,735	(54,801)	295,734	(54,801)
Attributable to:				
InRetail Perú Corp. shareholders	288,243	(55,290)	300,487	(55,290)
Non-controlling interest	7,492	489	7,492	489
Total comprehensive income for the period	295,735	(54,801)	307,979	(54,801)

The accompanying notes are an integral part of these consolidated statements.

InRetail Perú Corp. and Subsidiaries

Interim consolidated statements of change in equity

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

	Capital stock	Treasury shares	Capital premium	Unrealized results from derivative financial instruments	Unrealized results from investment at fair value through equity	Unrealized results from foreign currency translation	Unrealized results from actuarial reserve for retirement	Retained earnings	Total	Non-controlling interest	Total equity
	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	2,138,566	(57,636)	472,967	(130,233)	-	1,840	927	2,183,482	4,609,913	104,106	4,714,019
Loss for the period	-	-	-	-	-	-	-	(30,776)	(30,776)	(3,958)	(34,734)
Other comprehensive income	-	-	-	(25,483)	-	969	-	-	(24,514)	4,447	(20,067)
Total comprehensive income	-	-	-	(25,483)	-	969	-	(30,776)	(55,290)	489	(54,801)
Dividends	-	-	-	-	-	-	-	(262,500)	(262,500)	(39)	(262,539)
Dividends treasury shares	-	-	-	-	-	-	-	4,468	4,468	-	4,468
Others	-	-	-	-	-	144	-	(169)	(25)	22	(3)
Balance as of March 31, 2021	2,138,566	(57,636)	472,967	(155,716)	-	2,953	927	1,894,505	4,296,566	104,578	4,401,144
Balance as of January 1, 2022	2,138,566	(57,636)	472,967	(168,122)	-	3,562	643	1,990,313	4,380,293	53,118	4,433,411
Profit for the period	-	-	-	-	-	-	-	211,388	211,388	7,487	218,875
Other comprehensive income	-	-	-	77,120	-	(265)	-	-	76,855	5	76,860
Total comprehensive income	-	-	-	77,120	-	(265)	-	211,388	288,243	7,492	295,735
Dividends	-	-	-	-	-	-	-	(279,600)	(279,600)	(3,944)	(283,544)
Dividends treasury shares	-	-	-	-	-	-	-	4,760	4,760	-	4,760
Effect due to change of ownership in subsidiary	-	-	-	(7,076)	-	531	96	(835,034)	(841,483)	(60,437)	(901,920)
Shares to be issued	-	-	770,390	-	-	-	-	-	770,390	-	770,390
Other	-	-	-	-	-	-	-	851	851	-	851
Balance as of March 31, 2022	2,138,566	(57,636)	1,243,357	(98,078)	-	3,828	739	1,092,678	4,323,454	(3,771)	4,319,683

The accompanying notes are an integral part of these consolidated statements.

InRetail Perú Corp. and Subsidiaries

Interim consolidated statements of cash flows

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

	2022	2021
	S/(000)	S/(000)
Operating activities		
Revenue	4,694,857	4,321,785
Recovery of taxes	2,893	7,406
Payments of goods and services to suppliers	(4,102,781)	(3,632,516)
Payments of salaries and social benefits to employees	(376,436)	(345,978)
Taxes paid	(135,348)	(138,459)
Other collections (payments), net	23,274	(24,509)
Net cash flows from operating activities	106,459	187,729
Investing activities		
Sale of property, furniture and equipment	287	678
Sale of investments at fair value through profit or loss	147,190	355,472
Sale of subsidiary, net of cash delivered	-	36,792
Purchase of investments at fair value through profit or loss	(71,829)	(195,881)
Purchase of investment properties, net of acquisitions through leasing contracts	(26,342)	(15,610)
Purchase of property, furniture and equipment, net of acquisitions through leasing contracts	(94,000)	(116,382)
Value added tax payment related to investment properties	(4,728)	(2,806)
Purchase and development of intangible assets	(13,324)	(15,651)
Net cash flows (used in) from investing activities	(62,746)	46,612
Financing activities		
Proceeds from interest-bearing loans and borrowings, net of up-front fees	542,500	665,613
Proceeds from bond issuances, net of up-front fees	-	2,766,310
Proceeds from early settlement of hedging instrument	-	21,385
Payment of bond issuance	-	(1,449,600)
Payment of interest-bearing loans and borrowings	(422,593)	(1,730,009)
Payment of dividends to non-controlling interest	(3,944)	(39)
Interest paid	(137,228)	(110,996)
Payment of premium for repurchase of bonds issued	-	(47,530)
Interest payment of lease liability	(24,725)	(25,350)
Payment of lease liability	(75,149)	(70,223)
Rent payments and key money paid in advance	(19,120)	(1,334)
Net cash flows (used in) from financing activities	(140,259)	18,227
Net (decrease) increase of cash and short-term deposits	(96,546)	252,568
Cash and short-term deposits at the beginning of the period	917,420	936,315
Cash and short-term deposits at the end of the period	820,874	1,188,883
Non-cash transactions		
Fixed assets purchased through leasing and other financial and non financial obligations	16,395	11,263
Addition of the period of right-of-use asset	113,600	66,025

The accompanying notes are an integral part of these consolidated statements

Notes to the interim consolidated financial statements (continued)

InRetail Perú Corp. and Subsidiaries

Notes to the interim consolidated financial statements

As of March 31, 2022 and December 31, 2021 and for the three-month period ended March 31, 2022 and 2021

1. Business activity, acquisitions and disposal Subsidiaries and pandemic

a) Business activity

InRetail Perú Corp, (hereinafter “the Company”), is a holding incorporated in January 2011 in the Republic of Panama and is a subsidiary of Intercorp Retail Inc., which in turn is a subsidiary of Intercorp Perú Ltd. (a holding company incorporated in Bahamas, hereinafter “Intercorp Perú” matrix of “Intercorp Group”) which is the ultimate parent and holds 100.00 percent of Intercorp Retail Inc.’s capital stock.

As of March 31, 2022 the percentages of ownership are:

Owner	Ownership %
Intercorp Retail Inc.	58.04
Inteligo Bank	8.85
Intercorp Perú Ltd.	5.59
Others	27.52
Total	100.00

The Company’s legal address is 50 Street and 74 Street, floor 16, PH Building, San Francisco, Republic of Panama; however, its management and administrative offices are located at Calle Morelli N° 181, San Borja, Lima, Peru.

The Company and its subsidiaries Supermercados Peruanos S.A. and subsidiaries, InRetail Pharma S.A. and Subsidiaries, InRetail Real Estate Corp. and Subsidiaries, IR Management S.R.L. (before InRetail Properties Management S.R.L.), Agora Servicios Digitales S.A.C. and InDigital XP S.A.C., hereinafter and together the “InRetail Group”, are dedicated to operate supermarkets, hypermarkets, pharmacies and shopping centers, as well as real estate development and digital services. InRetail Group’s operations are concentrated in Peru; however, it maintains operations in the exterior related to the commercialization of chemicals and pharmaceuticals products.

The accompanying interim consolidated financial statements as of March 31, 2022 and December 31, 2021 and for the three-month period ended March 31, 2022 and 2021, have been prepared to comply with the legal requirements on the presentation of financial information in force in Peru for shareholders and for the Superintendencia del Mercados de Valores and wick were approved by the Board of Directors on May 16, 2022.

Notes to the interim consolidated financial statements (continued)

b) Acquisitions and disposal of subsidiaries

i. 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 of 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 13(b) and 13(l)).

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 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 10 (d)	628,578
Purchase price transferred	1,300,743

Notes to the interim consolidated financial statements (continued)

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.

Agora Servicios Digitales S.A.C. (formerly InDigital S.A.C.) and InDigital XP S.A.C. (formerly IR Digital S.A.C.)

On October 4, 2021, InRetail Perú Corp. through InRetail Consumer, acquired 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:

	Fair value of the acquired entity	
	Agora Servicios Digitales S.A.C.	InDigital XP S.A.C.
	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
Intangibles, 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 10 (d)	20,151	370
Purchase price transferred	56,661	3,493

The recorded goodwill amounting to S/20,521,000 represents the future synergies that are expected to arise from the combination of operations and other efficiencies not included in the intangible assets of the present value of in-force business.

Notes to the interim consolidated financial statements (continued)

Acquisition of minority interest in InRetail Pharma S.A.

On February 28, 2022, The Company, acquired 12.98 percent of the shares representing the capital stock of InRetail Pharma S.A. (subsidiary of the Company), for a value of S/901,920,000, this acquisition will be paid through the issuance of 5,939,568 shares of InRetail Perú Corp. for a total of S/770,390,000 and the balance of approximately S/131,530,000 in cash, once the sellers comply with the presentation of the certificate of recovery of invested capital. In this sense, as of February 28, 2022, the Company directly and indirectly owns 100 percent of the shares representing the capital stock of InRetail Pharma S.A. See Note 15 (c)

ii. 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 at time of transaction) and US\$9,545,000 (equivalent to S/34,879,000 at time of transaction), to non-related entities.

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

	Química Suiza Colombia S.A.A. S/(000)	Cifarma S.A.C. (Perú) 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
Otros	5,154	6,641
	11,955	40,823
Net value	4,414	41,651

c) 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).

Notes to the interim consolidated financial statements (continued)

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 National 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.

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. On the other hand, InRetail Real Estate restarted its operations in June 2020. 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 Company's 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 Company's Management and its Subsidiaries, the Company has sufficient liquidity and debt capacity to meet its obligations; as well as to continue operations.

2. Subsidiaries economic activities

Following is the description of the activities of the main Subsidiaries of the Company:

- (a) InRetail Perú Corp. is the controlling entity of Patrimonio en Fideicomiso-D.S. N°093-2002-EF-InRetail Consumer, which is a Special Purpose Entity (SPE), was incorporated during the year 2014 only for the purpose of issuing debt in the local market and abroad. As of March 31, 2022 and December 31, 2021 the representative shares of stock of Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries, and InRetail Foods S.A.C. are maintained in trust in this entity. A description of such subsidiaries is presented below:

Notes to the interim consolidated financial statements (continued)

- (i) InRetail Pharma S.A. is dedicated to the commercialization of pharmaceutical, cosmetic, and food products 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, the Company operates in Peru, Ecuador and Bolivia. InRetail Pharma S.A. holds 100 percent of: (i) Droguería InRetail Pharma S.A.C., (ii) Farmacias Peruanas S.A.C., (iii) Mifarma S.A.C., Química Suiza S.A.C., (v) Boticas IP S.A.C., (vi) FP Servicios Generales S.A.C. and (vii) Quicorp S.A. See Note 1 b). The legal address of the Company, where the administrative offices are located, is Defensores del Morro Av. N° 1277, Chorrillos, Lima, Peru.

In 2021, the company disposed of the following subsidiaries: Cifarma S.A.C. (Perú) and Química Suiza Colombia S.A.S. (Colombia). See Note 1 (b).

- (ii) Supermercados Peruanos S.A., is dedicated to retail. As of March 31, 2022 and December 31, 2021, operates under the “Plaza Vea”, “Plaza Vea Super”, “Plaza Vea Express”, “Vivanda”, “Mass” and “Makro” brands, which are located in Lima and provinces, such as Trujillo, Chimbote, Piura, Cusco, Arequipa, Huancayo, Pucallpa and others. Supermercados Peruanos S.A. holds 100 percent of: (i) Desarrolladora de Strip Centers S.A.C., (ii) Plaza Vea Oriente S.A.C. and (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. See note 1 b). The legal address of the Company, where the administrative offices are located, is Morelli street N° 181, San Borja, Lima, Peru.
- (iii) InRetail Foods S.A.C., is 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.
- (iv) Agora Servicios Digitales S.A.C. (formerly InDigital S.A.C.) established in June 2019, which manages and operates digital payment services through 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 Agora Servicios Digitales S.A.C. The amount disbursed was S/56,661,000.

- (v) InDigital XP S.A.C. (formerly IR Digital S.A.C.) established in October 2019, which manages, operates and provides support in digital commerce services 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.

Notes to the interim consolidated financial statements (continued)

- (b) InRetail Real Estate Corp. is a Holding company incorporated in the Republic of Panama in April 2012. In July 2014, InRetail Shopping Malls (a SPE controlled by InRetail Real Estate Corp.) was incorporated only for the purpose of issuing “Senior Notes Unsecured”. As of March 31, 2022 and December 31, 2021, the representative share of capital stock of InRetail Real Estate Corp.’s subsidiaries are maintained in trust in this entity, which are detailed below:

- (i) Real Plaza S.R.L.

Entity dedicated to the management and administration of shopping centers (21 as of March 31, 2022 and 21 as of December 31, 2021) named “Centro Comercial Real Plaza” and located in the cities of Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca, Huanuco, Cusco, Cajamarca, Sullana, Pucallpa and Lima. As of March 31, 2022 and December 31, 2021, the Company holds 100 percent of Centro Comercial Estación Central S.A. and Inversiones Real Estate S.A. The legal address of the Company, where the administrative offices are located, is Punta del Este avenue N° 2403, second floor, Jesus María, Lima, Peru.

- (ii) Patrimonio en Fideicomiso – D.S. N°093-2002-EF-Interproperties Holdings and Patrimonio en Fideicomiso–D.S. N°093-EF-Interproperties Holding II.

Equity trust funds (henceforth “Interproperties Holding”) are Special Purpose Entities (SPE) incorporated with the purpose of creating independent entities of the originators, through which investments are made in real estate projects.

- (c) IR Management S.R.L. is an entity that manages and operates the Companies of the group and provides other corporate services. The legal address of the Company, where the administrative offices are located, is Morelli street N° 139, San Borja, Lima, Peru.

3. Basis of preparation and presentation and new standards adopted by InRetail

- (a) Interim financial statements

The consolidated financial statements of the InRetail Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB), effective as of March 31, 2022 and December 31, 2021, respectively.

The interim financial statements of the InRetail Group have been prepared in accordance with IAS 34 “Interim financial reporting”.

The interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited annual information.

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

Notes to the interim consolidated financial statements (continued)

The functional currency of the subsidiaries domiciled in Ecuador and Bolivia are the local currency in those countries. These currencies do not belong to hyperinflationary economies. All transactions are measured in the functional currency.

The result and the financial position of all the Group companies (none of which has the currency for a hyperinflationary economy), that have a functional currency other than the InRetail Perú's presentation currency, are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented (including comparatives) shall be translated at the closing exchange rate at the date of the statement of financial position;
- Income and expenses for each statement presenting profit or loss and other comprehensive income (including comparatives) shall be translated at the average exchange rates for the corresponding year;
- Equity accounts shall be translated at the exchange rates at the date of the transactions; and
- All resulting exchange differences shall be recognized in other comprehensive income as profit or loss on translation.

At the date of this report, all the entities consolidated into the accompanying financial statements are legal subsidiaries of InRetail Peru Corp.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its Subsidiaries, see Note 2.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the InRetail Group obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The non-controlling interests have been determined in proportion to the participation of minority shareholders in the net equity and the results of the subsidiaries in which they hold shares, and they are presented separately in the consolidated statement of financial position and the consolidated statement of comprehensive income.

Losses in a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of the subsidiary, without a loss of control, is accounted as an equity transaction.

The accounting policies followed in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements as of December 31, 2021.

Notes to the interim consolidated financial statements (continued)

(c) New accounting standards

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Companies annual consolidated 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 InRetail Group adopted the following standards and interpretations that have been issued by the IASB, and which were effective as of January 1, 2022:

(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 1 January 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 InRetail Group will not be affected by these amendments on transition.

(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 1 January 2023 and must be applied retrospectively.

The InRetail Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Notes to the interim consolidated financial statements (continued)

(iii) Amendments to IAS 16 “Property, Plant and Equipment”: Proceeds before intended Use

In 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 1 January 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 InRetail Group.

(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 1 January 2022.

The InRetail Group 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 1 January 2022 with earlier adoption permitted.

(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 1 January 2022 with earlier adoption permitted.

Notes to the interim consolidated financial statements (continued)

(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 1 January 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 InRetail Group.

Notes to the interim consolidated financial statements (continued)

4. Cash and cash equivalents

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

	As of March 31, 2022 S/(000)	As of December 31, 2021 S/(000)
Cash (b)	53,512	19,808
Current accounts (c)	665,348	726,534
Time deposits (d)	9,761	43,984
Remittances in transit	92,253	127,094
Total	820,874	917,420

- (b) As of March 31, 2022 and December 31, 2021, comprises mainly cash held by subsidiaries in the premises of their store chains and in the vaults of a security company, corresponding to sales during the last days of the period.
- (c) The Company and its Subsidiaries maintain current accounts in local banks in the currency of each country and US Dollars which do not accrue interest and are freely available.
- (d) The time deposits are freely available and are kept in local banks in Soles and US Dollars, have maturities up to one month since inception and bear annual interest rates between 3.70 and 3.80 percent in Soles as of March 31, 2022 (between 0.25 and 2.50 percent in Soles and between 0.05 and 0.15 percent in US Dollars as of December 31, 2021).

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)
Invoices (e)	594,178	579,127
Retail sales (c)	64,147	79,899
Provision for accrued revenue (f)	12,671	15,882
Rent receivable (d)	11,835	11,397
Others	19,019	18,120
Total	701,850	704,425
Provision for doubtful accounts (g)	(67,252)	(69,645)
Total	634,598	634,780

- (b) Trade receivables are denominated in the currency of each country and US Dollars, have current maturity and do not bear interest.
- (c) Corresponds mainly to (i) 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 S.A. and InRetail Pharma Group, and (ii) trade accounts receivable from corporate sales.

Notes to the interim consolidated financial statements (continued)

- (d) Corresponds to accounts receivable for the lease of commercial premises to concession holders inside the stores of Supermercados Peruanos S.A. and the accounts receivable for the rental income of Interproperties Holding.
- (e) Correspond mainly to the balance receivable from the sale of goods to public institutions and various local and foreign companies. At the date of this report, these balances were mostly collected.
- (f) As of March 31, 2022 and December 31, 2021, relates to services unbilled at the end of period, mainly due to variable rentals of Interproperties Holdings. These amounts were billed in the month subsequent to the reporting date.
- (g) Movements in the provision for doubtful accounts receivable for the three-month period ended March 31, 2022 and 2021, were as follows:

	2022 S/(000)	2021 S/(000)
Balance at the beginning of the year	69,645	77,941
Provision recognized as expense, Note 17 (a)	8,731	11,328
Recoveries, Note 17 (a)	(7,328)	(8,481)
Write-offs	(2,282)	(395)
Exchange rate	(7)	47
Foreign currency translation	(1,507)	789
Others	-	(741)
Balance as of March 31	67,252	80,488
Balance as of December 31, 2021		69,645

As of March 31, 2022 and December 31, 2021, the amount of trade receivables past due but non-impaired amounted to approximately S/97,210,000 and S/104,858,000, respectively. Past-due accounts which have a payment agreement are considered as not impaired; therefore they do not represent risk of uncollectibility.

In the opinion of Management of the InRetail Group, 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 17 (a)	2,609,976	2,321,077
Goods in transit (b)	250,756	308,954
Raw material, Note 17 (a)	392	879
Miscellaneous supplies	7,792	7,330
Miscellaneous supplies for manufacture, Note 17 (a)	1,064	874
Finished goods, Note 17 (a)	-	-
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 InRetail Group in order to satisfy customers demand in its stores.

Notes to the interim consolidated financial statements (continued)

- (c) The movement in the provision for inventory impairment for the three-month period ended March 31, 2022 and 2021, was as follows:

	2022 S/(000)	2021 S/(000)
Balance at the beginning of the year	21,370	21,885
Provision of the period, Note 17 (a)	11,614	11,888
Recoveries	(8,229)	(9,138)
Write-offs	(171)	(1,008)
Foreign currency translation	(466)	91
Balance as of March 31	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 of the InRetail Group.

7. Derivative financial instruments

As of March 31, 2022 and December 31, 2021, this item comprises of nine Contracts, four "Principal Call Spread", one "Full Cross-Currency Swap" and four "Range Principal Only Swap" designated to hedge cash flows from exchange rate variations and recorded at their fair value. The detail of the operations is as follows:

Counterparty	Nominal value	Due	Receives fixed rate at	Pays fixed rate at	Book value of the hedged item	2022		2021
						Fair value asset	Fair value liability	Fair value asset
	US\$(000)		%	%	S/(000)	S/(000)	S/(000)	S/(000)
J.P. Morgan N.A. (a)	250,000	April 2028	-	1.05	925,250	70,082	-	79,606
J.P. Morgan N.A. (a)	100,000	April 2028	5.75	8.75	370,100	-	9,560	30,148
Citibank N.A. (c)	138,000	March 2028	-	1.04	510,738	30,558	-	38,856
Citibank N.A. (c)	100,000	March 2028	-	2.50	370,100	25,722	-	44,979
Citibank N.A. (c)	50,000	March 2028	-	2.50	185,050	12,664	-	22,282
Citibank N.A. (c)	138,000	March 2028	-	-	510,738	36,137	-	44,664
Citibank N.A. (c)	100,000	March 2028	-	1.50	370,100	25,722	-	44,980
Citibank N.A. (c)	50,000	March 2028	-	1.50	185,050	12,664	-	22,282
Citibank N.A. (c)	24,000	March 2028	-	1.04	88,824	5,314	-	6,758
Total						218,863	9,560	334,555

- (a) In March 2018, Patrimonio en Fideicomiso D.S. 093-2002-EF InRetail Shopping Malls, Subsidiary of the Company, decided to carry out hedging operations through a Foreign Currency Call Spread for the financial obligations of the "Senior Notes Unsecured", which were issued in April 2018. From the date of issuance of the "Senior Notes Unsecured" for the purposes of IFRS 9, it was classified as an effective hedging instrument, See Note 13(c).

On July 1, 2021, InRetail Shopping Malls (Subsidiary of the Company) decided to replace US\$100,000,000 of the Call Spread with US\$100,000,000 a Full Cross-Currency Swap on the issuance of its Senior Notes Unsecured, which establishes the currency exchange at an exchange rate of S/3.887 per US\$1.00, which for the purposes of IFRS 9, qualifies as an effective hedging instrument.

Notes to the interim consolidated financial statements (continued)

The early settlement of the derivative financial instrument includes the partial settlement of the liability from the financing received from J.P. Morgan for the acquisition of the instrument derivative financial. As a result of this transaction, a total net expense of S/38,826,000 was recorded.

As of March 31, 2022 and December 31, 2021, the Call Spread covers US\$250,000,000 of the exposure in foreign currency of the principal of the issues and protects exchange rate variations between S/3.26 and S/3.75 per US\$1.00. During the year 2021, the exchange rate has suffered increases that have not been covered by the Call Spread, said exchange rate variation is recorded in the consolidated statement of income. The premium price was financed in installments equal to the issuance.

- (b) 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. 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 18.
- (c) 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 issuance. From the date of issue of the “Senior Secured Notes” for the purposes of IFRS 9 were classified as effective hedging instruments, see note 13 (b).

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, respectively, and that protects variations in 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 Spreads” for the “Range Only Principal Swaps” allows the hedging objective to be met, therefore, the time value of the instrument substituted 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, 2022.

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. was financed in terms equal to that of the issue.

Notes to the interim consolidated financial statements (continued)

8. Property, furniture and equipment, net

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

	Land S/(000)	Buildings, infrastructure and facilities S/(000)	Miscellaneous and equipment S/(000)	Vehicles S/(000)	Furniture and fixture S/(000)	Work in progress S/(000)	As of March 31, 2022 S/(000)	As of December 31, 2021 S/(000)
Cost								
Initial balance	1,399,913	3,200,989	1,524,285	3,882	287,138	121,160	6,537,367	6,074,912
Acquisition of subsidiary	-	-	-	-	-	-	-	1,015
Additions (b)	309	37,114	36,431	108	12,427	24,006	110,395	531,525
Disposals and/or sales (c)	-	(65,732)	(35,420)	(203)	(38,280)	-	(139,635)	(62,421)
Disposal of subsidiaries	-	-	-	-	-	-	-	(54,834)
Transfer	-	5,526	2,499	-	606	(8,631)	-	-
Transfer to investment properties, Note 9(b)	-	-	-	-	-	-	-	39,759
Foreign currency translation	(20)	(472)	(3,865)	-	(719)	(11)	(5,087)	7,411
Final balance	1,400,202	3,177,425	1,523,930	3,787	261,172	136,524	6,503,040	6,537,367
Accumulated depreciation								
Initial balance	-	839,641	977,880	2,978	175,320	-	1,995,819	1,808,371
Acquisition of subsidiary	-	-	-	-	-	-	-	198
Additions (d)	-	30,381	33,535	115	6,133	-	70,164	278,757
Disposals and/or sales (c)	-	(65,608)	(34,775)	(203)	(38,003)	-	(138,589)	(53,523)
Disposal of subsidiaries	-	-	-	-	-	-	-	(44,010)
Foreign currency translation	-	(292)	(2,937)	-	(623)	-	(3,852)	6,026
Final balance	-	804,122	973,703	2,890	142,827	-	1,923,542	1,995,819
Net book value	1,400,202	2,373,303	550,227	897	118,345	136,524	4,579,498	4,541,548

Notes to the interim consolidated financial statements (continued)

- (b) Additions for the three-month period ended March 31, 2022 and December 31, 2021 correspond mainly to the construction and equipment of new premises for Supermercados Peruanos S.A. and the InRetail Pharma Group.
- (c) Mainly correspond to assets sold and to the disposal of unusable assets as a result of the process of change of format in some premises and store closures. The resulting income or expense has been included in the "Other operating income" or "Other operating expenses" caption of the consolidated income statement, respectively.
- (d) Depreciation expense for the three-month period ended March 31, 2022 and 2021, was recorded as follows in the income statement:

	2022	2021
	S/(000)	S/(000)
Cost of sales, Note 17 (a)	3,303	678
Sales expenses, Note 17 (a)	60,444	57,354
Administrative expenses, Note 17 (a)	6,417	4,757
Balance as of March 31	70,164	62,789
Balance as of December 31, 2021		278,757

- (e) As of March 31, 2022 and December 31, 2021, Supermercados Peruanos S.A. has mortgaged land, buildings and facilities for a net book value of S/1,032,569,000 (S/1,008,287,000 as of December 31, 2021), as collateral of the financial obligations and the leasing contracts (see Note 13).
- (f) As of March 31, 2022 and December 31, 2021, the cost and corresponding accumulated depreciation of assets acquired through finance leases amounted to approximately S/609,464,000 and S/274,566,000, respectively (S/772,484,000 and S/323,093,000, respectively, as of December 31, 2021).
- (g) The InRetail Group maintains insurance policies on their main assets in accordance with the policies established by Management.

Notes to the interim consolidated financial statements (continued)

9. 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)
Real Plaza Puruchuco Shopping Mall	613,954	614,976
Real Plaza Salaverry Shopping Mall (i)	458,162	457,582
Real Plaza Chiclayo Shopping Mall	308,495	309,430
Real Plaza Cusco Shopping Mall (i)	317,776	317,180
Real Plaza Primavera Shopping Mall	252,279	251,928
Real Plaza Piura Shopping Mall	259,733	259,012
Real Plaza Trujillo Shopping Mall	248,725	247,590
Real Plaza Centro Civico Shopping Mall (i)	205,618	205,984
Real Plaza Huancayo Shopping Mall (i)	138,503	138,330
Real Plaza Pucallpa Shopping Mall	111,804	111,831
Real Plaza Huánuco Shopping Mall (i)	109,323	109,603
Real Plaza Cajamarca Shopping Mall	101,906	101,588
Real Plaza Santa Clara - Altamirano Shopping Mall	85,431	86,048
Real Plaza Villa Maria del Triunfo Shopping Mall (La Curva) (i)	84,269	83,103
Real Plaza Juliaca Shopping Mall (i)	75,062	74,906
Real Plaza Pro Shopping Mall	79,194	79,201
Real Plaza Chorrillos Shopping Mall	71,527	71,298
Real Plaza Arequipa Shopping Mall (i)	56,522	56,410
Plaza Center Lurin Shopping Mall	48,448	48,727
Real Plaza Nuevo Chimbote Shopping Mall	41,067	41,682
Real Plaza Sullana Shopping Mall	30,764	31,109
Plaza Center Villa El Salvador Shopping Mall	29,012	28,095
Plaza Center Moquegua Shopping Mall	30,536	30,088
Plaza Center Tumbes Shopping Mall	7,392	7,661
Plaza Center Tarapoto Shopping Mall	18,369	18,183
Plaza Center Tacna Shopping Mall	22,089	21,830
Jr. de la Unión stores	9,054	8,956
Others (ii)	225,484	220,682
Total	4,040,498	4,033,013

(i) For the construction of these shopping malls and properties, surface right contracts were subscribed with Arzobispado de Cusco (on land in Cusco "San Antonio"), Municipalidad Provincial de Huánuco (on land of "Real Plaza Huánuco" Shopping Mall), Inmobiliaria Pazos S.A. (La Curva), Oficina de Normalización Provisional - ONP (Centro Cívico), Ferrovías Central Andina S.A. (Huancayo), the Association denominated "Religiosas del Sagrado Corazón de Jesús" (Arequipa), Ferrocarril Trasandino S.A. (Juliaca) and the Marina de Guerra del Perú (Salaverry). These contracts have a maturity between 20 and 70 years.

"Real Plaza" shopping malls consist of department stores, home improvement, supermarket, other retail shops, a cinema complex and an entertainment area; with which contracts have been signed that provide a minimum monthly rent and a variable rent based on sales.

(ii) Corresponds to land on which real estate projects will be developed.

Notes to the interim consolidated financial statements (continued)

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

	2022	2021
	S/(000)	S/(000)
Balance at the beginning of the year	4,033,013	3,899,509
Additions	26,342	15,610
Fair value adjustment	(18,857)	9,889
Transfer from property, furniture and equipment, Note 8 (a)	-	(2,165)
Balance as of March 31	4,040,498	3,922,843
Balance as of December 31, 2021		4,033,013

The fair value of investment properties has been determined on a discounted cash flows method basis by the Management of the InRetail Group for completed investment properties and based on the value assigned by an independent appraiser for investment properties under construction and investment properties held to operate in the future. The valuation is prepared on an aggregated unleveraged basis. In order to calculate their estimates of market values, the Management of the InRetail Group uses their market knowledge and professional judgment and does not only rely on historical transactional comparables. Fair value adjustment is included in the "Other operating income" caption of the consolidated income statement.

10. Intangible assets, net

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

	As of March 31, 2022	As of December 31, 2021
	S/(000)	S/(000)
Cost		
Initial balance	1,855,766	1,568,988
Purchase price allocation adjustment	-	158,000
Acquisition of subsidiary	-	68,345
Additions (c)	13,324	69,995
Disposal and/or sales	(36,661)	(1,653)
Disposal subsidiaries	-	(8,499)
Final balance	1,832,064	1,855,766
Accumulated amortization		
Initial balance	504,173	363,990
Acquisition of subsidiary	-	2,281
Additions (f)	20,923	140,570
Disposals and/or sales	(36,661)	(1,620)
Disposal subsidiaries	-	(1,592)
Foreign currency translation	(332)	544
Final balance	488,103	504,173
Goodwill (d)		
Initial balance	2,631,205	2,722,074
Additions	-	20,521
Adjustment for purchase price allocation (e)	-	(111,390)
Final balance	2,631,205	2,631,205
Net, book value	3,975,166	3,982,798

Notes to the interim consolidated financial statements (continued)

- (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 Quimica Suiza, S/15,911,000 to the Ninet brand, S/16,628,000 a 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 Group carries out the impairment tests 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 Group and (iii) recognition of trademarks and other intangibles from the acquisition of the Quicorp Group, see Note 1 (b).
- (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 S.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) Considering the acquisition date of Makro Company was December 23, 2020, the fair values of Makro's identifiable assets and liabilities corresponded to preliminary amounts. During 2021, the valuation process was completed and the final goodwill values were determined.
- (f) Amortization expense for the three-month period ended March 31, 2022 and 2021 has been recorded in the following items of the consolidated statements:

	2022 S/(000)	2021 S/(000)
Cost of sales, Note 17 (a)	-	78
Sales expenses, Note 17 (a)	12,630	73,808
Administrative expenses, Note 17 (a)	8,293	4,932
Balance as of March 31	20,923	78,818
Balance as of December 31, 2021		140,570

11. Trade payables

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 from purchase of goods	3,417,559	3,357,975
Bills payable from commercial services	339,902	437,282
Provision for services and maintenance	124,267	110,010
Total	3,881,728	3,905,267
Current	3,875,757	3,898,458
Non-current	5,971	6,809
Total	3,881,728	3,905,267

Notes to the interim consolidated financial statements (continued)

This caption mainly includes the obligations to non-related local and foreign suppliers, denominated in local currency and US Dollars, originated mainly by the acquisition of goods, with short-term maturities and that do not bear any interest. There have been no liens granted on these obligations.

InRetail Group offers its 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. InRetail Group has no direct financial interest in these transactions. All of InRetail Group's obligations, including amounts due, remain due to its suppliers as stated in the supplier agreements.

12. Leases

a) The InRetail 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 60 years, and leases of vehicles have terms of 2 to 4 years. The InRetail Group's obligations under its leases are guaranteed by the lessor's title of the leased assets.

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

The InRetail Group has also entered into certain leases of premises with terms of 12 months or less and leases of low-value office equipment. The InRetail Group applies the short-term and low-value lease exemptions for this 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	Buildings infrastructure and facilities	Vehicles	As of March 31, 2022	As of December 31, 2021
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Cost					
Initial balance	164,232	1,886,791	5,001	2,056,024	1,998,614
Additions	3,192	110,255	153	113,600	311,772
Cancellation of contract (i)	-	(80,209)	-	(80,209)	(233,838)
Disposal of subsidiaries	-	-	-	-	(25,568)
Foreign currency translation	-	(3,391)	(254)	(3,645)	5,044
Final balance	167,424	1,913,446	4,900	2,085,770	2,056,024
Accumulated depreciation					
Initial balance	22,440	680,124	2,160	704,724	604,888
Additions, Note 17 (a)	1,965	82,116	288	84,369	331,276
Cancellation of contract (i)	-	(74,935)	-	(74,935)	(224,838)
Disposal of subsidiaries	-	-	-	-	(8,552)
Foreign currency translation	-	(1,445)	(126)	(1,571)	1,950
Final balance	24,405	685,860	2,322	712,587	704,724
Net book value	143,019	1,227,586	2,578	1,373,183	1,351,300

(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).

Notes to the interim consolidated financial statements (continued)

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 17 (a)	2,452	2,750
Sales expenses, Note 17 (a)	80,004	73,151
Administrative expenses, Note 17 (a)	1,913	3,173
Balance as of March 31	84,369	79,074
As of December 31, 2021		331,276

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 S/(000)	As of December 31, 2021 S/(000)
Initial balance	1,582,704	1,514,535
Additions	115,854	310,272
Increase for accrued interest, Note 18	24,725	105,729
Amortization	(99,874)	(422,336)
Disbursements made at the start of the contract	(86)	-
Disposals	-	-
Disposals subsidiaries	-	(20,256)
Cancellation of contract	(5,460)	(9,150)
Rent paid in advance	(19,034)	(2,947)
Exchange rate	(80,456)	103,723
Foreign currency translation	(2,132)	3,134
Final balance	1,516,241	1,582,704
Current	244,292	256,628
Non-current	1,271,949	1,326,076
Total	1,516,241	1,582,704

Additionally, in the three-month period ended as of March 31, 2022 and 2021, interest related to the lease liability of S/24,725,000 and S/25,350,000, has been accrued, respectively.

Notes to the interim consolidated financial statements (continued)

13. 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)		
Senior Notes											
Senior Secured Notes(b)	PEN	4.900	2028	-	555,000	550,107	549,902	-	-	550,107	549,902
Senior Secured Notes (b)	USD	3.250	2028	600,000	-	2,089,290	2,254,398	-	-	2,089,290	2,254,398
Senior Notes Unsecured (c)	USD	5.750	2028	350,000	-	1,230,962	1,327,464	-	-	1,230,962	1,327,464
Senior Notes Unsecured (c)	PEN	6.563	2028	-	313,500	310,662	310,569	-	-	310,662	310,569
Senior Notes Unsecured (e)	PEN	7.875	2034	-	141,000	135,689	135,668	-	-	135,689	135,668
Senior Notes Unsecured (d)	PEN	6.438	2025	-	385,800	384,495	384,413	-	-	384,495	384,413
				950,000	1,395,300	4,701,205	4,962,414	-	-	4,701,205	4,962,414
Leasings											
Related entities											
Banco Internacional del Perú-Interbank	PEN	4.980	2026	-	198,037	101,675	101,595	-	-	101,675	101,595
Banco Internacional del Perú-Interbank	USD	4.530	2025	75	-	193	134	83	71	110	63
Non related entities											
Banco Scotiabank (k)	PEN	5.510	2025	-	380,000	328,744	336,480	30,969	30,954	297,775	305,526
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	-	-
				75	655,261	468,497	481,277	46,739	48,889	421,758	432,388

Notes to the interim consolidated financial statements (continued)

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 and Loans (f)											
Related entities											
Banco Internacional del Perú-Interbank	PEN	1.850	2022	-	54,500	-	54,500	-	54,500	-	-
Banco Internacional del Perú-Interbank	PEN	5.750	2022	-	24,500	24,500	-	24,500	-	-	-
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	0.031	2022	-	17,900	-	17,900	-	17,900	-	-
Banco Internacional del Perú-Interbank (j)	PEN	3.750	2026	-	220,000	218,246	218,109	-	-	218,246	218,109
Non related entities											
Banco Scotiabank (n)	PEN	Between 3.300 and 4.451	022, 2025 y 202	-	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 (o)	PEN	Between 2.450 and 4.610	2025 y 2026	-	235,000	227,621	215,532	45,501	21,251	182,120	194,281
Banco Scotiabank (i)	PEN	3.750	2026	-	330,000	327,369	327,166	-	-	327,369	327,166
Banco de Crédito del Perú	PEN	3.500	2022	-	39,000	-	39,000	-	39,000	-	-
Banco Scotiabank	PEN	4.210	2022	-	19,000	-	19,000	-	19,000	-	-
Banco Scotiabank (g)	PEN	5.250	2027	-	50,000	42,250	43,484	4,937	4,935	37,313	38,549
Banco Scotiabank	PEN	Between 3.630 and 4.800	2022	-	51,000	51,000	51,000	51,000	51,000	-	-
Banco de Crédito del Perú	PEN	3.090	2022	-	30,000	-	30,000	-	30,000	-	-
Banco de Crédito del Perú	PEN	1.170	2022	-	20,000	-	20,000	-	20,000	-	-
Banco de Crédito del Perú	PEN	5.020	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	0.028	2022	-	40,000	-	40,000	-	40,000	-	-
Banco de Crédito del Perú	PEN	1.980	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	0.030	2022	-	40,000	-	40,000	-	40,000	-	-
Banco de Crédito del Perú	PEN	Between 3.500 and 3.360	2022	-	40,000	40,000	-	40,000	-	-	-
Banco Continental	PEN	3.060	2022	-	40,000	40,000	40,000	40,000	40,000	-	-
Banco Continental	PEN	5.170	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	5.000	2022	10,000	-	10,281	16,660	10,281	16,660	-	-
				10,000	2,709,937	2,264,217	2,109,605	700,135	547,818	1,564,082	1,561,787

Notes to the interim consolidated financial statements (continued)

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)	S/(000)	S/(000)
Derivative financial instruments financing, Note 7											
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	Bweteen 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.	USD	6.473	2023	-	-	-	-	-	-	-	-
Citibank N.A.	PEN	Bweteen 8.442 and 8.665	2028	-	48,931	43,624	46,280	5,872	5,556	37,752	40,724
J.P. Morgan Bank N.A.	USD	10.205	2028	-	-	-	-	-	-	-	-
J.P. Morgan Bank N.A.	USD	10.205	2028	23,440	-	43,849	50,204	2,757	5,817	41,092	44,387
				33,369	137,007	199,829	219,239	24,406	27,059	175,423	192,180
Other obligations (h)											
Hewlett Packard S.A.	USD	Bweteen 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	Bweteen 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	-
Hewlett Packard S.A.	USD	Bweteen 2.180 and 2.900	2024	2,983	-	4,669	4,971	3,172	3,487	1,497	1,484
Inversiones Nueva Capital Peru S.A.	USD	12.000	2026	163	-	551	-	116	-	435	-
CSI Renting	USD	Bweteen 2.330 and 9.500	2026	211	-	327	375	145	189	182	186
				21,132	-	54,969	44,152	17,913	16,556	37,056	27,596
Total				1,014,576	4,897,505	7,688,717	7,816,687	789,193	640,322	6,899,524	7,176,365

Notes to the interim consolidated financial statements (continued)

- (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 (equivalent to S/2,398,800,000 as of December 31, 2021) 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 3.422 and 5.078, respectively, after considering the corresponding initial charges of around US\$5,480,000 equivalent to around S/20,280,000 as of March 31, 2022 (US\$5,285,000 equivalent to around S/21,128,000 as of December 31, 2021) and S/4,893,000 as of March 31, 2022 (S/5,098,000 as of December 31, 2021), respectively.

Additionally, it is presented net of US\$30,000,000 equivalent to S/111,030,000 (US\$30,000,000 equivalent to S/123,274,000) 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 and for the tender of the InRetail Pharma bonds issued in 2018.

- (c) In April 2018, Patrimonio en Fideicomiso D.S. 093-2002-EF InRetail Shopping Malls, Subsidiary of the Company, issued debt instruments ("Notes") denominated in US Dollars through a private offer to institutional investors under Rule 144 A and Regulation S, for US\$350,000,000 equivalent to S/1,295,350,000 as of March 31, 2022 (S/1,399,300,000 as of December 31, 2021) that accrues an interest of 5.75 percent per annual, with a maturity of 10 years, with semi-annual 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 6.752 percent, after considering the respective up-front fees that amounted to US\$17,398,000 equivalent to approximately S/64,389,000 as of March 31, 2022 (US\$17,968,000 equivalent to approximately S/71,836,000 as of December 31, 2021).

Additionally, in April 2018, the Company's Subsidiary issued debt instruments ("Notes") denominated in Soles for S/313,500,000 that bear an annual interest rate of 6.563 percent, maturing in 10 years and with semiannual interest payments and the principal in a single installment at the expiration of the securities. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 6.730 percent, after considering the respective up-front fees that amounted to S/2,838,000 as of March 31, 2022 (S/2,931,000 as of December 31, 2021).

- (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, these Senior Notes Unsecured were fully pre-paid.

As indicated in note 7 (b), the Call Spread related to these bonds was settled in advance in the month of March 2021.

Notes to the interim consolidated financial statements (continued)

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 6.438 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).

- (e) In July 2014, InRetail Real Estate Corp. issued, through InRetail Shopping Malls, an offering in the local market and abroad of "Senior Notes Unsecured" for S/141,000,000, due in July 2034, at a 7.875 percent nominal interest rate. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 7.988 percent, after considering the respective up-front fees that amounted to S/1,311,000 as of March 31, 2022 (S/1,332,000 as of December 31, 2021). Additionally, as of March 31, 2022 and December 31, 2021, the balance is presented net of S/4,000,000 corresponding to the notes of this issuance held by InRetail Shopping Malls. As of March 31, 2022 the balance of this loan is S/135,689,000 (S/135,668,000 as of December 31, 2021).
- (f) 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 8 (e). Such obligations do not have any special conditions that must be complied (covenants), or restrictions affecting the operations of the InRetail Group.
- (g) In October 2019, the Company entered into a new loan agreement with Scotiabank Perú S.A.A. of S/50,000,000. In February 2020, the term of the debt was restructured for a period of seven years, payable in quarterly installments and accrued interest of 5.25 percent annual.

This obligation was recorded in the consolidated financial statements at amortized cost with an effective annual interest rate of 5.442 percent after considering the respective initial charge of approximately S/249,000 as of March 31, 2022 (S/266,000 as of December 31, 2021).

As of March 31, 2022, the Company amortized an amount of S/7,500,000 (as of December 31, 2021, S/6,250,000).

- (h) Corresponds to the debt that the Subsidiaries acquired with Hewlett Packard, Inversiones Nueva Capital Perú S.A. and CSI Renting to purchase computer equipment. Said contracts do not have any specific guarantee.
- (i) 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, 2020.

InRetail Pharma S.A. amortized the debt for the amount of S/57,839,000 as of December 31, 2020. In March 2021, the loan was fully paid.

Notes to the interim consolidated financial statements (continued)

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).

- (j) 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, 2020.

InRetail Pharma S.A. amortized the debt for the amount of S/57,839,000 as of December 31, 2020. 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).

- (k) As of December 31, 2020, the disbursement of the financial lease for the construction of the Puruchuco shopping center was completed, with Banco Scotiabank del Perú S.A.A., for a total amount of S/380,000,000 which will be paid in quarterly installments that accrue an interest of 5.510 percent annually and with maturity in 2025.

This obligation was recorded in the consolidated financial statements at amortized cost with an effective interest rate of 5.899 percent after considering the respective initial charge of approximately S/3,256,000 as of March 31, 2022 (S/3,519,000 as of December 31, 2021).

As of March 31, 2022, the Company amortized an amount of S/48,000,000 (As of December 31, 2021 S/40,000,000).

As of March 31, 2022, InRetail Real Estate and subsidiaries have complied with the financial requirements ("covenants").

- (l) In December 2020, through InRetail Consumer, the Company received a loan of US\$375,000,000 equivalent to S/1,344,679,000 as of December 31, 2021 (S/1,356,375,000 at the disbursement date) granted by JP Morgan Chase Bank NA with a maturity of one year and which bears an interest rate of LIBOR Rate plus a spread. Said loan was mainly used for the acquisition of Makro Supermayorista S.A. for an amount of US\$359,619,000. As of December 31, 2020, the unpaid balance is presented net of its structuring cost of S/1,344,679,000. This loan was paid in full in March 2021.

Notes to the interim consolidated financial statements (continued)

- (m) In May 2020, Real Plaza S.R.L. obtained a loan under the “Reactiva Perú” program with Banco de Crédito del Perú for the amount of S/10,000,000 that accrues a nominal annual interest of 1.48 percent maturing in 2023 including a grace period (non-capitalizable interest in the first year).

During year 2021, the Company paid full of the debt.

- (n) 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 nominal interest of 3.99 percent per year, maturing in 2026; Said loan was acquired mainly to prepay existing debts with different financial entities and the balance was obtained as working capital for the opening of 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 a nominal rate of 4.45 percent per year and with maturities between 2025 and 2026, respectively. As of March 31, 2022 and December 31, 2021, the balances pending payment are represented net of their commission for structuring.

- (o) 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.
- (p) During the three-month periods ended March 31, 2022 and 2021, loans and borrowings accrued interests which are recorded in the “Financial costs” caption of the consolidated income statements, see Note 18. Also, as of March 31, 2022 and December 31, 2021, there are interest payable which are recorded in the “Other payables” caption of the consolidated statements of financial position.
- (q) Some of the interest-bearing loans and borrowings include standard clauses requiring the InRetail Group to meet financial ratios and other administrative matters. In Management’s opinion, as of March 31, 2022 and December 31, 2021, these standard clauses do not limit the normal operation of the InRetail Group and have been fulfilled.
- (r) International issuances are listed in the Luxembourg Stock Exchange. Furthermore, the local and international issuances hold certain financial and operating covenants, which, according to Management, do not limit its operations and were complied with as of the dates of the consolidated statement of financial position, with the exception of the financial ratio “debt service” corresponding to InRetail Shopping Malls, which is operative and it does not generate the enforceability of the debt. In this regard, Management has been managing the breach of said covenant and, in its opinion, it will not have significant negative impacts on its operations.

- (s) Financial obligations are payable as follows:

	2022	2021
	S/ (000)	S/ (000)
2022	749,394	640,322
2023	163,220	160,157
2024	168,991	812,289
2025	1,031,232	645,988
2026	1,188,154	908,928
2027 onwards	4,387,726	4,649,003
Total	7,688,717	7,816,687

Notes to the interim consolidated financial statements (continued)

14. Income tax

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

Statements of financial position	As of March 31, 2022		As of December 31, 2021	
	Assets	Liabilities	Assets	Liabilities
	S/(000)	S/(000)	S/(000)	S/(000)
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
Centro Comercial Estación Central S.A.	13	-	10	-
Inversiones Real Estate S.A.	-	632	-	632
Real Plaza S.R.L.	7,025	-	6,198	-
Inmobiliaria Puerta del Sol S.A.	-	34,984	-	33,085
IR Management S.R.L.	39	-	130	-
InRetail Pharma S.A.	27,933	-	30,889	-
Química Suiza S.A.C.	-	46,420	-	47,065
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	-
Mifarma S.A.C.	39,254	-	42,858	-
Boticas IP	16,196	-	18,501	-
Jorsa de la Selva S.A.C.	2,615	-	2,785	-
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	-
Operadora de Servicios Logísticos S.A.C.	1,497	-	1,172	-
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	-	-	-
Consolidation adjustment	4,102	355,686	6,044	357,787
Total	125,345	485,029	131,735	457,674

Statements of comprehensive income	Income tax for the three-month period ended March 31, 2022 and 2021	
	2022	2021
	S/(000)	S/(000)
Current	(127,305)	(77,811)
Deferred	(766)	78,013
Income tax expense	(128,071)	202

- (b) As of March 31, 2022 and December 31, 2021, the provision for current income tax payable, net of advanced payments, amounts to approximately S/7,047,000 and S/14,586,000, respectively.

Also, as of March 31, 2022 and December 31, 2021, non-current income tax related to special purpose entities amounts S/376,197,000 and S/356,989,000, respectively, is payable as a result of the net taxable income from the assets in the trusts of the InRetail Group's subsidiaries.

Notes to the interim consolidated financial statements (continued)

15. Equity

(a) Capital stock

As of March 31, 2022 and December 31, 2021, the capital stock of InRetail Perú Corp. is represented by 102,807,319 common shares with no par value, issued at US\$10.00 each, which were totally paid and issued (equivalent to S/2,138,566,000). These shares have no restriction on the distribution of dividends or repayment of capital.

As of March 31, 2022 and December 31, 2021, the shares of InRetail Perú Corp. do not guarantee obligations contracted with third parties by the Company or any of its related parties.

(b) Capital premium

It corresponds to the difference between the nominal value of shares issued and their offering value. The international offering of new shares, mentioned in paragraph (a) above, was made at a price of US\$20 per share, being the issuance value of shares US\$ 10.00 per share, and recording a capital premium which is presented net of expenses related to the issuance (professional services of legal advisors, investment bankers, transaction commissions, among others) for approximately S/472,967,000 as of March 31, 2022 and December 31, 2021.

(c) Shares pending subscription and issue

On February 28, 2022, InRetail Perú Corp. undertook to issue 5,939,568 new shares as part of consideration for the shares acquired representing 12.98 percent of the capital stock of InRetail Pharma S.A. (subsidiary of the Company), for a value of S/770,390,000, said issue will be made once the sellers comply with presenting the certificate of recovery of the invested capital. (see note 1 b) (iii)).

(d) Treasury shares

As of March 31, 2022 and December 31, 2021, the InRetail Group acquired 1,750,005 shares issued by InRetail Perú Corp., the nominal value of said shares being S/57,636,000.

(e) Dividends

At the General Shareholders' Meeting held on March 31, 2022, it was approved to distribute dividends in the amount of US\$75,000,000 equivalent to S/279,600,000, which was delivered in May 2022. Of this amount, S/4,760,000 corresponds to the dividends related to treasury shares maintained by the Company.

During the first quarter 2022, InRetail Pharma S.A. and Supermercados Peruanos S.A., (Subsidiaries of the Company), distributed dividends to non-controlling interest for an amount of S/3,894,000 and S/50,000, respectively.

At the General Shareholders' Meeting held on March 30, 2021, it was approved to distribute dividends in the amount of US\$70,000,000 equivalent to S/262,500,000, which corresponds to a cash dividend of US\$0.68088538 per share, which was delivered in May 2021. Of this amount, S/4,468,000 corresponds to the dividends related to treasury shares maintained by the Company.

During 2021, InRetail Pharma S.A., Subsidiary of the Company, distributed dividends to non-controlling interest for an amount of S/39,000.

Notes to the interim consolidated financial statements (continued)

16. Tax Situation

- (a) InRetail Perú Corp. and InRetail Real Estate Corp. are incorporated in Panama, thus they are not subject to any Income Tax.
- (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	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) The Subsidiaries of the Company domiciled in Peru, Ecuador, Bolivia and Colombia 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	%
Peru	29.5
Ecuador	25.0
Bolivia	25.0

- (d) Law No. 29663, later amended by law No. 29757, established Peruvian source income as that obtained by the indirect sales of shares representing the capital stock of companies domiciled in the country.

To this end, an indirect transference is configured when the following two assumptions occur together:

- (i) In first place, 10 percent or more of shares of the non domiciled company must be sold within a period of twelve months.
- (ii) In second place, the market value of the Peruvian company's shares must represent 50 percent or more of the market value of the non domiciled company, in a period of twelve months.

Notes to the interim consolidated financial statements (continued)

- (e) 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 InRetail Group, Management and its legal advisors consider that as consequence of the application of the regulation in force, there will not be any significant contingencies for the InRetail Group as of March 31, 2022 and December 31, 2021.
- (f) The tax authority is legally entitled to review and, if necessary, adjust the Income Tax computed. Following are the years subject to review by the tax authority of the Subsidiaries of InRetail Peru Corp. incorporated in Peru and foreign:

	Income Tax	Value added tax
Albis 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
Boticas Torres de Limatambo S.A.C	From 2017 to 2018	2018
Droguería La Victoria S.A.C.	From 2017 to 2018	2018
Eckerd Amazonía S.A.C.	From 2017 to 2021	From 2018 to 2021
Inmobiliaria Puerta del Sol S.A.	From 2017 to 2021	From 2018 to 2022
InRetail Pharma S.A.	2017 and from 2019 to 2021	From 2018 to 2022
IR Management S.R.L.	From 2017 to 2021	From 2018 to 2022
Inversiones Real Estate S.A.	From 2017 to 2021	From 2018 to 2022
Jorsa de la Selva S.A.C.	From 2017 to 2021	From 2018 to 2022
Quicorp S.A.	From 2017 to 2021	From 2018 to 2022
Mifarma S.A.C.	From 2017 to 2021	From 2018 to 2022
Quifatex S.A.	From 2019 to 2021	From 2019 to 2022
Química Suiza Comercial S.A.C.	From 2017 to 2018	2018
Química Suiza S.A.C.	From 2017 to 2021	From 2018 to 2022
Quimiza Ltda.	From 2015 to 2021	From 2016 to 2022
Real Plaza S.R.L.	From 2017 to 2021	From 2018 to 2022
Centro Comercial Estación Central S.A.	From 2017 to 2021	From 2018 to 2022
Superfarma Mayorista S.A.C.	From 2017 to 2018	2018
Supermercados Peruanos S.A.	From 2016 to 2021	From 2018 to 2022
Plaza Veá Oriente S.A.C.	From 2018 to 2021	From 2018 to 2022
Plaza Veá 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
Farmacias Peruanas S.A.	From 2017 to 2018	2018
Vanttive Cía Ltda.	From 2017 to 2021	From 2018 to 2022
Vanttive S.A.C.	From 2017 to 2021	From 2018 to 2022
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
Agora 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

Notes to the interim consolidated financial statements (continued)

According to Peruvian law, InRetail Consumer, InRetail Shopping Malls and Interproperties Holding, special purpose entities, are not considered an income taxpayer due to its status as a trust. InRetail Shopping Malls and Interproperties Holding attribute 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. Therefore, to reflect this obligation, the Company has provisioned 30 percent of long term income tax over the profit earned to date. As of March 31, 2022 and December 31, 2021, the accrued income tax amounted to S/376,197,000 and S/356,989,000, respectively.

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

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

- (g) 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. (formerly InDigital S.A.C.)	71,560	71,560
Total	125,391	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).

Notes to the interim consolidated financial statements (continued)

17. Operating expenses

(a) The table below presents the components of this caption for the three-month period ended March 31, 2022 and 2021:

	2022	2021
	S/(000)	S/(000)
Cost of sales	3,428,776	3,171,638
Selling expenses	757,982	740,261
Administrative expenses	157,248	135,927
Total	4,344,006	4,047,826

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

	2022			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods, Note 6 (a)	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	75,611	-	-	75,611
Personnel expenses	-	293,310	79,429	372,739
Depreciation, Note 8 (d)	3,303	60,444	6,417	70,164
Depreciation from right-of-use asset, Note 12 (b)	2,452	80,004	1,913	84,369
Amortization, Note 10 (e)	-	12,630	8,293	20,923
Services provided by third parties (b)	-	133,023	37,406	170,429
Advertising	-	40,192	585	40,777
Packing and packaging	-	8,912	265	9,177
Rental of premises	-	10,072	981	11,053
Low value assets lease	30	11,876	4,091	15,997
Taxes	-	9,859	4,837	14,696
Provision for doubtful trade receivables, Note 5(g)	-	8,656	75	8,731
Recovery of provision for doubtful trade receivables, Note 5(g)	-	(7,328)	-	(7,328)
Provision for doubtful related receivables	-	157	-	157
Provision for doubtful others receivables	-	(705)	1,822	1,117
Insurance	-	5,123	987	6,110
Other charges (c)	-	91,757	10,147	101,904
Total	3,428,776	757,982	157,248	4,344,006

Notes to the interim consolidated financial statements (continued)

	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
Final 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, Note 6 (c)	11,888	-	-	11,888
Factory overhead	4,702	-	-	4,702
Cost of services	45,212	-	-	45,212
Personnel expenses	-	264,503	81,433	345,936
Depreciation, Note 8 (d)	678	57,354	4,757	62,789
Depreciation of right-of-use assets, Note 12 (b)	2,750	73,151	3,173	79,074
Amortization, Note 10 (e)	78	73,808	4,932	78,818
Services provided by third parties (b)	-	127,608	25,860	153,468
Advertising	-	32,000	-	32,000
Packing and packaging	-	6,888	339	7,227
Rental of premises	-	8,661	13	8,674
Low value assets lease	384	4,891	2,932	8,207
Taxes	-	11,745	3,431	15,176
Provision for doubtful trade receivables, Note 5(g)	-	11,267	61	11,328
Recovery of provision for doubtful trade receivables, Note 5(g)	-	(8,456)	(25)	(8,481)
Provision for doubtful related parties receivables	-	1,047	-	1,047
Provision for doubtful other receivables	-	134	141	275
Recovery of provision for doubtful other receivables	-	(470)	-	(470)
Insurance	-	5,770	540	6,310
Other charges (c)	-	70,360	8,340	78,700
Total	3,171,638	740,261	135,927	4,047,826

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

(c) Mainly include general expenses in stores and shopping centers.

18. Financial costs

(a) The table below presents the components of financial costs:

	2022	2021
	S/(000)	S/(000)
Interest on loans, borrowings and bonds payable	83,055	82,718
Accrual of the structuring cost of financial obligations	5,099	19,897
Accrual of the cost of structuring by early settlement of "Senior Notes Unsecured" (d)	-	11,983
Interest on lease liabilities, Note 12 (c)	24,725	25,350
Premium for early settlement of bonds (c)	-	47,530
Call Spread early settlement (e)	-	70,141
Premium accrual derivative financial instruments	11,336	6,115
Accrual of the value in the time of exchange of derivative financial instruments	3,710	-
Interest swap	3,267	-
Other financial costs	11,466	5,582
Total	142,658	269,316

Notes to the interim consolidated financial statements (continued)

- (b) As of March 31, 2022 and December 31, 2021, there are interest payable for these obligations for approximately S/28,347,000 and S/75,833,000, respectively, which are recorded in the "Other payables" caption of the consolidated 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 S.A. 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 Consumer in Dollars for US\$3,284,000 equivalent to S/11,983,000.
- (e) As of March 31, 2022, it corresponds to the transfer of the value over time of other comprehensive income to income for the period, related to the early settlement of the "Call Spread". See Note 7 (a) and (b).

19. Transactions with related parties

- (a) The following table provides the total amount of transactions that have been entered into with related parties for the three-month period ended as of March 31, 2022 and 2021:

	2022	2021
	S/(000)	S/(000)
Income		
Sales	7,276	6,758
Rental income	30,651	23,722
Rendering of services	7,105	4,234
Collection of commissions	-	2,109
Interest income	733	65
Other	33,437	15,957
Total income	79,202	52,845
Expenses		
Renting of premises and land	341	58
Reimbursement of expenses	-	1,131
Commissions	10,501	1,122
Interest	4,418	151
Other	7,093	7,655
Total expenses	32,698	10,117

Notes to the interim consolidated financial statements (continued)

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

	As of March 31, 2022 S/(000)	As of December 31, 2021 S/(000)
Receivables		
Por cobrar	47,520	36,723
Homecenters Peruanos S.A. (f)	24,511	17,832
Financiera Oh! S.A.	11,510	12,248
Tiendas Peruanas S.A.	5,765	4,816
Cineplex S.A.	3,324	3,016
Bembos S.A.C.	-	2,423
Intercorp Perú Ltd.	985	1,986
Banco Internacional del Perú S.A.A.-Interbank	2,324	1,365
Interseguro Compañía de Seguros S.A.	527	459
Tiendas Peruanas Oriente S.A.C. (d)	1,024	421
Homecenters Oriente S.A.C.	-	230
Urbi Propiedades S.A.C.	223	223
Other	41,142	46,411
Total	138,861	128,153
Current	109,244	100,721
Non-current	29,617	27,432
Total	138,861	128,153
	As of March 31, 2022 S/(000)	As of December 31, 2021 S/(000)
Payables		
Homecenters Peruanos S.A. (i)	46,340	44,829
Financiera Oh! S.A. (h)	24,677	33,611
Tiendas Peruanas S.A.	5,477	7,768
Inmobiliaria Milenia S.A.	865	726
Intercorp Retail Inc. (j)	162,614	114
Chelsea National Corp.	-	111
Home Centers Oriente S.A.C.	43	45
Tiendas Peruanas Oriente S.A.C.	14	5
Banco Internacional del Perú S.A.A. – Interbank:		
Guarantee deposit (e)	2,997	3,102
Intercorp Peru Ltda. (j)	9,047	-
NG Pharma II S.A. (k)	105,224	-
NG Co-Investment II, L.P. (k)	26,306	-
Other	9,885	5,362
Total	393,489	95,673
Remunerations payable to key management	-	-
Total	393,489	95,673
Current	350,289	52,673
Non-current	43,200	43,000
Total	393,489	95,673

Notes to the interim consolidated financial statements (continued)

- (c) The policy of the InRetail Group is to make transactions with related companies at terms equivalent to those that prevail in arm's length transactions.
- (d) As of December 31, 2021, the outstanding receivable of Tiendas Peruanas Oriente S.A.C. corresponds mainly to reimbursements of expenses for the implementation of the store "Pucallpa" for an amount of S/11,474,000, which will be financed at 3 years with a rate of 9 percent per year.

As of December 31, 2021, the Company collected S/11,474,000 as amortization of the loan.

- (e) 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, the net present value of the balances related to the guarantee deposits amounted to S/2,997,000 and S/3,102,000, respectively.
- (f) As of March 31, 2022, corresponds mainly to an account receivable from Homecenters Peruanos S.A. for an amount of S/29,617,000 (as of December 31, 2021, S/27,432,000). This account receivable is due to the fact that Interproperties Perú acts as an intermediary between the lessor (unrelated third party) and Homecenters Peruanos S.A. (related party) to whom the property is leased.

Additionally, the balance of S/12,545,000, corresponds to the services received from rental of land and premises, and pending contributions from the joint venture that it has with Supermercados Peruanos, which will be collected in the second quarter of 2022.

- (g) 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 Inc. made amortizations of US\$5,000,000 (equivalent to S/19,925,000) and US\$7,000,000 (equivalent to S/28,840,000).

Additionally, an account receivable of S/223,000 is maintained, corresponding to certain expenses assumed by InRetail Perú Corp. in favor of Intercorp Retail Inc. The balance receivable from Intercorp Retail Inc. does not generate interest, has current maturities and does not have specific guarantees.

- (h) 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. Said contract established that Financiera Oh! S.A. can exclusively operate its "Oh! credit card" in the Supermercados Peruanos stores, instead of the "Vea" credit card of Banco Internacional del Perú S.A.A. –Interbank, which was operating until that moment. Also, as a result of this agreement, as of March 31, 2022 and December 31, 2021, the InRetail Group holds accounts payables to Financiera Oh! S.A for S/24,677,000 and S/23,817,000, respectively, which correspond mainly to the collection of installments from users of the Oh! Credit card S/10,514,000 and S/19,421,000 as of March 31, 2022 and December 31, 2021.
- (i) As of March 31, 2022 mainly includes contributions from the affiliate Homecenters Peruanos S.A. (hereinafter "The associate") for approximately S/40,203,000 (S/39,899,000 as of December 31, 2021), these contributions arise from the joint venture agreement celebrated with the Company which establishes that the associate will deliver cash in favor of the Company in exchange of having a participation in the results of the projects of "Lurín" and "Tarapoto". These agreements have a term of 60 years, for this reason it is recognized as a long-term liability.

Notes to the interim consolidated financial statements (continued)

- (j) Correspond to dividend declared by the Company that will be paid in May 2022.
- (k) On February 28, 2022, InRetail Perú Corp. acquired 12.98 percent of the shares representing the share capital of InRetail Pharma S.A. (subsidiary of the Company), for a value of S/901,920,000 the same that a part will be paid in own issued shares and the balance of S/131,530,000 in cash.
- (l) Banco Internacional del Perú S.A.A. – Interbank signed leasing and leaseback contracts with Supermercados Peruanos S.A. and Real Plaza S.R.L. with outstanding balances of approximately S/101,675,000 and S/193,000 respectively, for the construction of new stores and working capital. These leasing contracts accrue annual interest rates that fluctuate between 4.98 and 4.53 percent, and whose maturities are between 2026 and 2025. These transactions are included in “Interest-bearing loans and borrowings”. During the three-month period ended March 31, 2022 and 2021, leasing contracts generated interests recorded in the “Financial costs” caption of the consolidated income statements.
- (m) Outstanding balances at the period-end are unsecured and interest free, except for the financial obligations explained in this note. There have been no guarantees provided or received for any related party receivables or payables. As of March 31, 2022 and December 31, 2021, the InRetail Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by evaluating the financial position of the related party and the market in which the related party operates.
- (n) The compensation of key management personnel of the InRetail Group for the three-month period ended March 31, 2022 and 2021, is detailed below:

	2022 S/(000)	2021 S/(000)
Short term employee benefits	22,801	17,129
Insurance and medical benefits	526	472
Employment benefits for contract termination	0	213
Total	23,327	17,814

- (o) As of March 31, 2022 and December 31, 2021, the InRetail Group maintains the following balances in the cash and cash equivalent and investments at fair value through profit or loss captions:

	As of March 31, 2022 S/(000)	As of December 31, 2021 S/(000)
Cash and short-term deposits		
Banco Internacional del Peru – Interbank S.A.A.	491,847	336,992
Inteligo Bank Ltd.	4,383	2,818
Investments at fair value through profit or loss		
Fondos Sura SAF S.A.C.	41,271	121,768

Notes to the interim consolidated financial statements (continued)

20. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the three-month period attributable to ordinary equity holders of InRetail Perú Corp. by the weighted average number of ordinary shares outstanding during the same period. As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

The following reflects basic and diluted earnings per share computations:

	Ordinary shares		
	Outstanding shares	Effective days until period-end	Weighted average of shares
Number as of January 1, 2021	102,807,319	90	102,807,319
Number as of March 31, 2021	102,807,319		102,807,319
Number as of January 1, 2022	102,807,319	90	102,807,319
Number as of March 31, 2022	102,807,319		102,807,319
	For the three-month period ended March 31, 2022		
	Net income (numerator)	Shares (denominator)	Earnings per share
	S/		S/
Basic and diluted earnings per share	218,875,000	102,807,319	2.129
	For the three-month period ended March 31, 2021		
	Net loss (numerator)	Shares (denominator)	Loss per share
	S/		S/
Basic and diluted loss per share	(34,734,000)	102,807,319	(0.338)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these Consolidated Financial Statements.

21. Commitments and contingencies

Commitments

The main commitments assumed are presented below:

- (a) As of March 31, 2022 the Company and its Subsidiaries agreed with several financial entities on the issuance of solidary and irrevocable letters of guarantee for approximately S/72,310,000, US\$10,945,000, and B\$188,000 (S/74,108,000, US\$11,431,000 and B\$237,000 as of December 31, 2021), respectively, to comply with the payment of goods purchased to foreign suppliers and commit with the fulfillment of the contracts.

Notes to the interim consolidated financial statements (continued)

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 claims for civil, labor and tax processes for an approximate total amount of S/48,124,000 as of March 31, 2022 (S/52,988,000 as of December 31, 2021). In the opinion of Management and its legal advisors, said processes should be resolved favorably for these components, in opinion of Management, it is not necessary to record additional liabilities for these items as of March 31, 2022 and December 31, 2021.
- (b) Eckerd Amazonía 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 September 2005 for an approximate amount of S/17,698,000. In opinion of Management and its legal advisors these contingencies are stated as possible, and significant liabilities will not arise as result of this contingency as of March 31, 2022 and December 31, 2020. 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. has been examined by the Tax Authority of Income Tax returns and monthly Value Added Tax returns for the years 2004 to 2016. As of the date of this report, Supermercados Peruanos S.A. has challenged the Tax Administration for these resolutions and, in Management's opinion and its legal advisors, significant liabilities will not arise as result of this situation as of March 31, 2022 and December 31, 2021.

22. Business segments

For management purposes, the InRetail Group is organized into business units based on their products and services and has five reportable segments as follows:

- The food retail segment operates supermarkets, hypermarkets, discount stores and cash and carry stores nationwide.
- The pharmacies segment is a nationwide supplier of drugs, medicines and cosmetic related products through the chain of pharmacies named "Inkafarma" and "Mifarma".
- The Distribution segment of drugs, medicines and consumer products.
- Shopping center segment leases commercial stores in shopping centers owned by the InRetail Group.
- Digital segment manages, operates and provides support in digital commerce services to the Group's subsidiaries

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 consolidated financial statements.

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

Notes to the interim consolidated financial statements (continued)

As of March 31, 2022 and December 31, 2021 and for the three-month period ended March 31, 2022 and 2021, InRetail Peru Corp. is organized into five main business lines, see Note 2. Transactions between the business segments are carried out under normal commercial terms and conditions. The following table presents the financial information of InRetail Perú Corp. and subsidiaries by business segments for the three-month period ended March 31, 2022 and 2021

	Food Retail S/(000)	Pharmacies S/(000)	Distribution S/(000)	Shopping Center S/(000)	Digital S/(000)	Total segments S/(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/(000)	Consolidated S/(000)
For the three-month period ended March 31, 2022								
Revenue								
External income	2,520,483	1,509,681	517,298	135,541	4,969	4,687,972	4,038	4,692,010
Inter-segment	3,632	22,085	193,618	15,964	4,257	239,556	(239,556)	-
Total revenue	2,524,115	1,531,766	710,916	151,505	9,226	4,927,528	(235,518)	4,692,010
Cost of sales	(1,953,138)	(978,095)	(441,455)	(49,999)	(2,832)	(3,425,519)	(3,257)	(3,428,776)
Inter-segment	(111)	(17,772)	(195,629)	(128)	(169)	(213,809)	213,809	-
Gross profit	570,866	535,899	73,832	101,378	6,225	1,288,200	(24,966)	1,263,234
(Loss) gain on valuation at fair value of investment properties	1,181	-	-	(20,967)	-	(19,786)	929	(18,857)
Selling expenses	(374,685)	(325,880)	(43,071)	(2,699)	(19,273)	(765,608)	7,626	(757,982)
Administrative expenses	(61,834)	(62,786)	(16,102)	(9,593)	(967)	(151,282)	(5,966)	(157,248)
Other operating (expenses) income, net	11,685	5,850	917	61	2,081	20,594	1,102	21,696
Operating profit	147,213	153,083	15,576	68,180	(11,934)	372,118	(21,275)	350,843
Exchange difference, net	77,264	25,860	(2,559)	62,909	(702)	162,772	(29,700)	133,072
Financial income	1,808	2,335	288	11,403	6	15,840	(10,151)	5,689
Financial costs	(58,612)	(42,206)	(3,514)	(44,477)	(60)	(148,869)	6,211	(142,658)
Profit before income tax	167,673	139,072	9,791	98,015	(12,690)	401,861	(54,915)	346,946
Income tax expense	(54,144)	(42,620)	(7,773)	(28,375)	(1,642)	(134,554)	6,483	(128,071)
Profit for the period	113,529	96,452	2,018	69,640	(14,332)	267,307	(48,432)	218,875
Attributable to:								
InRetail Perú Corp. shareholders	113,529	96,452	2,018	69,640	(14,332)	267,307	(55,919)	211,388
Non-controlling interests	-	-	-	-	-	-	7,487	7,487
Profit for the period	113,529	96,452	2,018	69,640	(14,332)	267,307	(48,432)	218,875

Notes to the interim consolidated financial statements (continued)

	Food Retail S/(000)	Pharmacies S/(000)	Distribution S/(000)	Shopping Center S/(000)	Digital S/(000)	Total segments S/(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/(000)	Consolidated S/(000)
For the three-month period ended March 31, 2021								
Revenue								
External income	2,258,287	1,504,242	483,840	93,920	-	4,340,289	3,343	4,343,632
Inter-segment	3,618	10,497	183,780	14,328	-	212,223	(212,223)	-
Total revenue	2,261,905	1,514,739	667,620	108,248	-	4,552,512	(208,880)	4,343,632
Cost of sales	(1,754,306)	(974,977)	(401,658)	(39,464)	-	(3,170,405)	(1,233)	(3,171,638)
Inter-segment	(10)	(7,443)	(183,983)	(125)	-	(191,561)	191,561	-
Gross profit	507,589	532,319	81,979	68,659	-	1,190,546	(18,552)	1,171,994
Join Venture loss	-	-	-	-	-	-	-	-
Loss on valuation at fair value of investment properties	(1,422)	-	-	12,347	-	10,925	(1,036)	9,889
Selling expenses	(344,517)	(291,646)	(44,074)	(4,118)	-	(684,355)	(55,906)	(740,261)
Administrative expenses	(57,751)	(46,740)	(17,107)	(7,690)	-	(129,288)	(6,639)	(135,927)
Other operating (expenses) income, net	10,099	(182)	1,307	(13)	-	11,211	(3,652)	7,559
Operating profit	113,998	193,751	22,105	69,185	-	399,039	(85,785)	313,254
Exchange difference, net	(59,771)	(14,659)	2,669	(8,729)	-	(80,490)	64	(80,426)
Financial income	32	118,782	114,872	10,789	-	244,475	(242,923)	1,552
Financial costs	(46,187)	(176,199)	(1,889)	(40,775)	-	(265,050)	(4,266)	(269,316)
Profit before income tax	8,072	121,675	137,757	30,470	-	297,974	(332,910)	(34,936)
Income tax expense	(4,835)	10	(7,459)	(9,341)	-	(21,625)	21,827	202
Loss for the period	3,237	121,685	130,298	21,129	-	276,349	(311,083)	(34,734)
Attributable to:								
InRetail Perú Corp. shareholders	3,237	121,685	130,298	21,129	-	276,349	(307,125)	(30,776)
Non-controlling interests	-	-	-	-	-	-	(3,958)	(3,958)
Loss for the period	3,237	121,685	130,298	21,129	-	276,349	(311,083)	(34,734)

Notes to the interim consolidated financial statements (continued)

Income and expenses of the Company are not allocated to individual segments as the underlying instruments are managed on an InRetail Group basis and are reflected in the adjustments and eliminations column. Additionally, Inter-segment revenues are eliminated upon combination and reflected also in the "Adjustments and eliminations" column.

Geographic information

As of March 31, 2022 and December 31, 2021, the operations of all the Company's Subsidiaries are mainly carried out in Peru, with income and assets from abroad not being significant at those dates.

23. Objectives and policies of financial risk management

Risk is inherent to the InRetail Group's activities, however, it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to InRetail Group's continuing profitability and each employee within InRetail Group is accountable for the risk exposures relating their responsibilities.

The InRetail Group is exposed to market risk, credit risk, liquidity risk and capital management risk.

(a) Credit risk

Credit risk is the risk that a counterpart will not meet its obligations under a financial instrument or other contract, generating a financial loss. The InRetail Group is exposed to credit risk from its operating activities (mainly from trade receivables) and from its financing activities, including deposits with banks, investments and derivative instruments.

This risk is managed by the Financial Managers in accordance with the Board's principles to minimize risk concentration and, consequently, mitigate financial losses from potential breach of the counterpart. The maximum exposure to credit risk of the components of the consolidated financial statements as of March 31, 2022 and December 31, 2021, arises from the captions accounts "Cash and cash equivalents", "Trade receivables", "Accounts receivables from related parties", "Financial instruments at fair value through profit or loss and other comprehensive income" and "Derivative financial instruments". The maximum exposure to credit risk of the components of the consolidated financial statements as of March 31, 2022 and December 31, 2021, is their book value, net of the respective provisions for impairment.

(b) Market risk

Market risk is the risk of suffering losses in the consolidated statements of financial position due to fluctuations in market prices. These prices comprise three risk types: (i) exchange rate; (ii) interest rate; and (iii) commodity prices and others. The financial instruments of the InRetail Group are affected by exchange rate risk and interest rate risk.

i. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Financial Managers of the Subsidiaries are responsible for identifying, measuring, controlling and informing on the exposure to global exchange rate risk of the Group. As of March 31, 2022 and December 31, 2021, the InRetail Group maintains "Call Spread", "Range Principal Only Swap", and "Full Cross-Currency Swap" contracts for a total notional amount of US\$950,000,000, respectively, to reduce its foreign currency risk related to the Senior Notes issued and the intercompany loans. These derivative financial instruments have been qualified as effective hedging instruments; see further detail in note 13.

Notes to the interim consolidated financial statements (continued)

ii. Interest rate risk

The interest rate risk is the risk that the future fair values or cash flows of a financial instrument fluctuate due to changes of the market interest rates. The InRetail Group's policy is to hold financial instruments that accrue fixed interest rates, therefore, the operating cash flows of the InRetail Group are substantially independent of changes in the market's interest rates. In this sense, in the opinion of the InRetail Group's Management, they are not significantly exposed to interest rate risk.

iii. Price risk

The InRetail Group's exposure to this risk is due to changes in the prices of variable income financial instruments, classified in the consolidated statement of financial position as financial instruments at fair value through profit or loss.

(c) Liquidity risk

It is the risk that the InRetail Group could not comply with their payment obligations related to financial liabilities at maturity. The consequence would be the default in the payment of their obligations to third parties.

Liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit sources and the ability to settle transactions, mainly debt. To that respect, the Management of InRetail Group focuses its efforts to maintain funding sources through the availability of credit lines.

(d) Capital management risk

The InRetail Group actively manages a solid capital structure in order to cover the risks inherent to its activities. The adequacy of the capital structure of the InRetail Group is controlled using, among other measures, ratios established by Management.

When the InRetail Group manages the capital, it has the following objectives, in addition to ensuring the "Consolidated equity" shown in the consolidated statement of financial position: (i) to ensure the continuity of the operations of the Company and its Subsidiaries so that they continue to provide returns to shareholders and benefits to other participants; (ii) maintain a strong optimal capital structure to support the development of its activities.

Changes haven't been made to the objectives, process or policies in capital management during the periods ended on March 31, 2022 and December 31, 2021.

24. 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 of settlement value.

Notes to the interim consolidated financial statements (continued)

The following methods and assumptions were used to estimate the fair values:

(a) Financial instruments whose fair value is 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 other payables and other current liabilities, approximate to their carrying amounts largely due to the short-term maturities of these instruments. Also, the derivative instrument by the InRetail Group is recorded at fair value.

(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 instrument. 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 to fair value through equity

Fair value of investment through equity 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.

Fair value hierarchy

The InRetail Group uses the following hierarchy for determining and disclosing the fair value of its financial instrument recorded in the statement 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 InRetail Group does not maintain any financial instrument with fair value determination under level 3 and there were no transfers between levels during the three-month period ended March 31, 2022 and 2021. The InRetail Group maintains the following financial instruments at fair value:

- Investments to fair value through equity which fair value was determined under level 1 hierarchy.
- Derivative instrument which fair value was determined under level 2 hierarchy.

25. 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\$1.00 bid and S/3.701 per US\$1.00 ask (S/3.975 and S/3.998 per US\$1.00 for bid and ask as of December 31, 2021).

Notes to the interim consolidated financial statements (continued)

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 rate 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
Bolivianos (B\$)	1.840	1.741

As of March 31, 2022 and December 31, 2021, the InRetail Group 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	85,802	25,291	104,391	21,383
Investments at fair value through profit or loss	10,564	-	20,517	-
Trade receivables, net	53,295	32,143	49,015	31,704
Other accounts receivables, net	24,940	4,198	10,469	3,986
Accounts receivable from related parties	1,388	-	1,752	-
Total assets	175,989	61,632	186,144	57,073
Liabilities				
Trade payables	(151,245)	(17,455)	(94,805)	(15,171)
Other payables	(142,358)	(7,219)	(20,250)	(7,851)
Accounts payable to related parties	(46,916)	-	(291)	-
Lease liability	(267,824)	(1,071)	(255,622)	(1,267)
Interest - bearing loans and borrowings	(935,795)	-	(933,544)	-
Total Liabilities	(1,544,138)	(25,745)	(1,304,512)	(24,289)
Hedge amount	950,000	-	950,000	-
Net (liability) asset position	(418,149)	35,887	(168,368)	32,784

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

As of March 31, 2022 and December 31, 2021, the Call Spreads have been subscribed for a nominal value of US\$250,000,000, US\$138,000,000, US\$138,000,000, US\$24,000,000, the Full Cross-Currency Swap US\$100,000,000, and the Range Principal Only Swaps for US\$100,000,000, US\$100,000,000, US\$50,000,000 and US\$50,000,000 and will be effective until maturity of the "Senior Notes Unsecured", "Senior Secured Notes" and intercompany loans, see note 7.

Notes to the interim consolidated financial statements (continued)

- (b) For the three-month period ended as of March 31, 2022 and 2021, InRetail Perú Corp. has incurred in the following results for exchange difference:

	2022	2021
	S/(000)	S/(000)
Exchange difference generated by hedged assets and liabilities	220,150	(108,740)
Compensation of exchange difference for hedging derivative	(220,150)	108,740
Exchange difference generated by unhedged assets and liabilities	133,072	(80,426)
Net gain (loss)	133,072	(80,426)

26. Subsequent event

- (a) The Company's management and 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.
- (b) In April 2022, the Company, complied with the commitment to issue shares assumed on February 28 as consideration for the acquisition of 12.98 percent of the capital stock of InRetail Pharma S.A. (Subsidiary of the Company) of 770,390,024 see note 1 (b)(i).

Thus, at the Board of Directors of InRetail Perú Corp. on April 13, 2022, it was agreed to increase the capital stock by 5,939,568 shares at a placement value of S/129.7047 and an initial issue value of US\$10.00, increasing the capital by US\$59,395,680 which at the exchange rate of 3,758 is equivalent to S/223,208,965 and the difference to increase the issue premium by US\$145,604,326 equivalent to S/547,181,059.

27. Additional explanation for English translation

The accompanying consolidated financial statements are presented on the basis of the IFRS. Certain accounting practices applied by the InRetail Group may differ in certain respects from accounting principles generally accepted in other countries. In the event of any discrepancy, the Spanish-language version prevails.