

**InRetail Perú Corp. and Subsidiaries**

Interim consolidated financial statements as of September 30, 2019 (unaudited) and December 31, 2018 (audited) and for the nine-month periods ended September 30, 2019 and 2018

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## InRetail Perú Corp. and Subsidiaries

### Interim consolidated statements of financial position

As of September 30, 2019 (unaudited) and December 31, 2018 (audited)

|  | Note  | 2019<br>S/(000)   | 2018<br>S/(000)   |  | Note  | 2019<br>S/(000)   | 2018<br>S/(000)   |
|--|-------|-------------------|-------------------|--|-------|-------------------|-------------------|
| <b>Assets</b>                                    |       |                   |                   | <b>Liabilities and equity</b>                            |       |                   |                   |
| <b>Current assets</b>                            |       |                   |                   | <b>Current liabilities</b>                               |       |                   |                   |
| Cash and short-term deposits                     | 4     | 592,713           | 642,838           | Trade payables   | 12    | 2,760,093         | 2,964,969         |
| Investments at fair value through profit or loss |       | 19,513            | 19,729            | Other payables   |       | 460,566           | 466,510           |
| Trade receivables, net                           | 5     | 496,805           | 575,709           | Accounts payable to related parties                      | 20(b) | 34,412            | 11,093            |
| Other receivables, net                           |       | 86,462            | 100,385           | Current income tax                                       | 15(b) | 13,738            | 10,665            |
| Accounts receivables from related parties        | 20(b) | 55,347            | 64,260            | Interest-bearing loans and borrowings                    | 14    | 796,977           | 452,591           |
| Inventories, net                                 | 6     | 1,851,726         | 1,736,290         | Deferred revenue   |       | 11,770            | 28,783            |
| Investments at fair value through equity         | 7     | -                 | 8,377             | Lease liability  | 13    | 311,738           | -                 |
| Prepayments                                      |       | 51,376            | 34,583            | <b>Total current liabilities</b>                         |       | <b>4,389,294</b>  | <b>3,934,611</b>  |
| Taxes recoverable                                |       | 120,015           | 150,541           |  |       |                   |                   |
| <b>Total current assets</b>                      |       | <b>3,273,957</b>  | <b>3,332,712</b>  | <b>Non current liabilities</b>                           |       |                   |                   |
|  |       |                   |                   | Trade payables   | 12    | 16,074            | 19,643            |
| <b>Non-current assets</b>                        |       |                   |                   | Accounts payable to related parties                      | 20(b) | 47,452            | 38,918            |
| Other receivables, net                           |       | 28,513            | 29,524            | Other payables   |       | 1,680             | 1,424             |
| Accounts receivables from related parties        | 20(b) | 30,869            | 8,240             | Interest-bearing loans and borrowings                    | 14    | 4,527,807         | 4,616,549         |
| Prepayments                                      |       | 45,626            | 51,077            | Income tax related to Special Purpose Entities           | 15(b) | 266,025           | 226,493           |
| Taxes recoverable                                |       | 11,768            | 6,166             | Deferred revenue   |       | 28,267            | 26,510            |
| Derivative financial instruments                 | 8     | 165,517           | 163,951           | Deferred income tax liabilities, net                     | 15(a) | 457,174           | 481,616           |
| Property, furniture and equipment, net           | 9     | 4,928,022         | 3,435,967         | Reserves for employee retirement pension funds           |       | 22,022            | 20,428            |
| Investment properties                            | 10    | 3,585,100         | 3,299,018         | Lease liability  | 13    | 1,111,065         | -                 |
| Intangible assets, net                           | 11    | 3,162,867         | 3,188,303         | <b>Total non-current liabilities</b>                     |       | <b>6,477,566</b>  | <b>5,431,581</b>  |
| Deferred income tax assets, net                  | 15(a) | 56,454            | 62,153            | <b>Total liabilities</b>                                 |       | <b>10,866,860</b> | <b>9,366,192</b>  |
| Other assets                                     |       | 7,219             | 7,315             | <b>Equity</b>  |       |                   |                   |
| <b>Total non-current assets</b>                  |       | <b>12,021,955</b> | <b>10,251,714</b> | Capital stock  | 16(a) | 2,138,566         | 2,138,566         |
|  |       |                   |                   | Treasury shares  | 16(c) | (57,636)          | (57,636)          |
| <b>Total assets</b>                              |       |                   |                   | Capital premium  | 16(b) | 472,967           | 472,967           |
|  |       | <b>15,295,912</b> | <b>13,584,426</b> | Unrealized results on derivative financial instruments   |       | (33,684)          | (40,028)          |
|  |       |                   |                   | Unrealized results from available for-sale-investments   |       | -                 | 153               |
|  |       |                   |                   | Unrealized results from foreign currency translation     |       | 65                | 5                 |
|  |       |                   |                   | Unrealized results from actuarial reserve for retirement |       | 157               | 157               |
|  |       |                   |                   | Retained earnings  |       | 1,817,449         | 1,626,407         |
|  |       |                   |                   | <b>Equity attributable to owners of the parent</b>       |       | <b>4,337,884</b>  | <b>4,140,591</b>  |
|  |       |                   |                   | Non-controlling interest                                 |       | 91,168            | 77,643            |
|  |       |                   |                   | <b>Total equity</b>                                      |       | <b>4,429,052</b>  | <b>4,218,234</b>  |
|  |       |                   |                   | <b>Total liabilities and equity</b>                      |       | <b>15,295,912</b> | <b>13,584,426</b> |

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

## InRetail Perú Corp. and Subsidiaries

### Interim consolidated Income statements

For the nine-month periods ended September 30, 2019 and 2018

|   | Note  | 2019<br>S/(000)  | 2018<br>S/(000)  |
|---|-------|------------------|------------------|
| Net sales of goods  |       | 9,048,388        | 8,371,822        |
| Rental income   |       | 334,324          | 306,472          |
| Rendering of services   |       | 242,957          | 218,132          |
| <b>Revenue</b>  |       | <b>9,625,669</b> | <b>8,896,426</b> |
| Cost of sales   | 18(a) | (6,743,807)      | (6,304,916)      |
| <b>Gross profit</b>   |       | <b>2,881,862</b> | <b>2,591,510</b> |
| Income from joint venture   | 20(a) | 36,947           | 19,664           |
| Gain on valuation at fair value of investment properties                                      | 10(b) | 22,899           | 9,609            |
| Selling expenses  | 18(a) | (1,751,457)      | (1,626,222)      |
| Administrative expenses   | 18(a) | (343,248)        | (339,807)        |
| Other operating expenses, net   |       | (3,916)          | (2,654)          |
| <b>Operating profit</b>   |       | <b>843,087</b>   | <b>652,100</b>   |
| Financial income  |       | 16,399           | 22,110           |
| Financial expenses  | 19(a) | (347,112)        | (409,833)        |
| Exchange difference, net  |       | (658)            | (35,341)         |
| <b>Profit before income tax</b>   |       | <b>511,716</b>   | <b>229,036</b>   |
| Income tax expense  | 15(a) | (185,893)        | (134,464)        |
| <b>Net profit (loss)</b>  |       | <b>325,823</b>   | <b>94,572</b>    |
| <b>Attributable to:</b>   |       |                  |                  |
| InRetail Perú Corp. Shareholders  |       | 299,987          | 85,522           |
| Non-controlling interest  |       | 25,836           | 9,050            |
| <b>Net profit</b>   |       | <b>325,823</b>   | <b>94,572</b>    |
| <b>Earnings per share:</b>  |       |                  |                  |
| Basic and diluted profit for the period attributable to ordinary equity holders of the parent | 21    | 2.918            | 0.832            |

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 nine-month periods ended September 30, 2019 and 2018

|   | <b>2019</b>    | <b>2018</b>     |
|---|----------------|-----------------|
|   | S/(000)        | S/(000)         |
| <b>Profit for the period</b>  | 325,823        | 94,572          |
| <b>Other comprehensive income</b>   |                |                 |
| Unrealized gain (loss) on investments at fair value through equity                  | 260            | (301)           |
| Transfer of unrealized gain on investments at fair value through equity             | (413)          | (1,289)         |
| Income tax related to Special Purpose Entities                                      | -              | 387             |
| <b>Total other comprehensive income on investments at fair value through equity</b> | <b>(153)</b>   | <b>(1,203)</b>  |
| Unrealized gain (loss) on hedging derivative financial instrument                   | 8,480          | (16,565)        |
| Transfer of realized loss on available-for-sale investments to result of the period | -              | 9,490           |
| Income tax related to Special Purpose Entities                                      | (2,507)        | (8,769)         |
| Income tax  | 283            | 1,485           |
| <b>Total other comprehensive income on hedging derivative financial instruments</b> | <b>6,256</b>   | <b>(14,359)</b> |
| Unrealized results from foreign currency translation                                | 69             | (2,857)         |
| <b>Total other comprehensive income from foreign currency translation</b>           | <b>69</b>      | <b>(2,857)</b>  |
| <b>Other comprehensive income for the period, net of income tax effects</b>         | <b>6,172</b>   | <b>(18,419)</b> |
| <b>Total comprehensive income for the period</b>                                    | <b>331,995</b> | <b>76,153</b>   |
| <b>Attributable to:</b>   |                |                 |
| InRetail Perú Corp. shareholders  | 306,238        | 67,936          |
| Non-controlling interest  | 25,757         | 8,217           |
| <b>Total comprehensive income for the period</b>                                    | <b>331,995</b> | <b>76,153</b>   |

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 nine-month periods ended September 30, 2019 and 2018

|   | Capital stock<br>S/(000) | Treasury<br>shares<br>S/(000) | Capital<br>premium<br>S/(000) | Unrealized results  |  |  | Retained<br>earnings<br>S/(000) | Total<br>S/(000) | Non-<br>controlling<br>interest<br>S/(000) | Total equity<br>S/(000) |   |
|---|--------------------------|-------------------------------|-------------------------------|---|--|--|---------------------------------|------------------|--|-------------------------|---|
|   |                          |                               |                               | from<br>derivative<br>financial<br>instruments<br>S/(000) | from<br>investment to<br>fair value<br>through equity<br>S/(000) | from foreign<br>currency<br>translation<br>S/(000) |                                 |                  |  |                         | from<br>actuarial<br>reserve for<br>retirement<br>S/(000) |
|   |                          |                               |                               |   |  |  |                                 |                  |  |                         |   |
| <b>Balance as of January 1, 2018</b>                | 2,138,566                | (16,801)                      | 538,036                       | (1,051)   | 1,400  | -  | -                               | 999,231          | 3,659,381                                  | 217                     | 3,659,598   |
| Profit for the period                               | -                        | -                             | -                             | -   | -  | -  | -                               | 85,522           | 85,522                                     | 9,050                   | 94,572  |
| Other comprehensive income                          | -                        | -                             | -                             | (13,897)  | (1,203)  | (2,486)  | -                               | -                | (17,586)                                   | (833)                   | (18,419)  |
| <b>Total comprehensive income</b>                   | -                        | -                             | -                             | <b>(13,897)</b>   | <b>(1,203)</b>   | <b>(2,486)</b>                                     | -                               | <b>85,522</b>    | <b>67,936</b>                              | <b>8,217</b>            | <b>76,153</b>   |
| Dividends   | -                        | -                             | -                             | -   | -  | -  | -                               | -                | -  | (26)                    | (26)  |
| Purchase of treasury shares                         | -                        | (34,813)                      | (55,312)                      | -   | -  | -  | -                               | -                | (90,125)                                   | -                       | (90,125)  |
| Effect due to change of ownership in subsidiary     | -                        | -                             | -                             | -   | -  | -  | -                               | 419,001          | 419,001                                    | 62,499                  | 481,500   |
| <b>Balance as of September 30, 2018</b>             | <b>2,138,566</b>         | <b>(51,614)</b>               | <b>482,724</b>                | <b>(14,948)</b>   | <b>197</b>   | <b>(2,486)</b>                                     | -                               | <b>1,503,754</b> | <b>4,056,193</b>                           | <b>70,907</b>           | <b>4,127,100</b>  |
| <b>Balance as of January 1, 2019</b>                | 2,138,566                | (57,636)                      | 472,967                       | (40,028)  | 153  | 5  | 157                             | 1,626,407        | 4,140,591                                  | 77,643                  | 4,218,234   |
| Effect first adoption of IFRS 16                    | -                        | -                             | -                             | -   | -  | -  | -                               | 4,726            | 4,726                                      | 703                     | 5,429   |
| <b>Balance as of January 1, 2019, after IFRS 16</b> | <b>2,138,566</b>         | <b>(57,636)</b>               | <b>472,967</b>                | <b>(40,028)</b>   | <b>153</b>   | <b>5</b>   | <b>157</b>                      | <b>1,631,133</b> | <b>4,145,317</b>                           | <b>78,346</b>           | <b>4,223,663</b>  |
| Profit for the period                               | -                        | -                             | -                             | -   | -  | -  | -                               | 299,987          | 299,987                                    | 25,836                  | 325,823   |
| Other comprehensive income                          | -                        | -                             | -                             | 6,344   | (153)  | 60   | -                               | -                | 6,251                                      | (79)                    | 6,172   |
| <b>Total comprehensive income</b>                   | -                        | -                             | -                             | <b>6,344</b>  | <b>(153)</b>   | <b>60</b>  | -                               | <b>299,987</b>   | <b>306,238</b>                             | <b>25,757</b>           | <b>331,995</b>  |
| Dividends   | -                        | -                             | -                             | -   | -  | -  | -                               | (115,640)        | (115,640)                                  | (12,935)                | (128,575)   |
| Dividends treasury shares                           | -                        | -                             | -                             | -   | -  | -  | -                               | 1,969            | 1,969                                      | -                       | 1,969   |
| <b>Balance as of September 30, 2019</b>             | <b>2,138,566</b>         | <b>(57,636)</b>               | <b>472,967</b>                | <b>(33,684)</b>   | -  | <b>65</b>  | <b>157</b>                      | <b>1,817,449</b> | <b>4,337,884</b>                           | <b>91,168</b>           | <b>4,429,052</b>  |

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

## InRetail Perú Corp. and Subsidiaries

### Interim consolidated statements of cash flows

For the nine-month periods ended September 30, 2019 and 2018

|  | 2019<br>S/(000)  | 2018<br>S/(000)    |
|--|------------------|--------------------|
| <b>Operating activities</b>  |                  |                    |
| Revenue  | 9,756,736        | 8,925,864          |
| Recovery of taxes  | 52,332           | 42,971             |
| Payments of goods and services to suppliers  | (7,788,548)      | (6,976,736)        |
| Payments of salaries and social benefits to employees  | (878,267)        | (854,652)          |
| Taxes paid   | (213,546)        | (166,832)          |
| Other collections (payments), net  | (17,766)         | (21,851)           |
| <b>Net cash flows from operating activities</b>  | <b>910,941</b>   | <b>948,764</b>     |
| <b>Investing activities</b>  |                  |                    |
| Sale of property, furniture and equipment  | 929              | 16,522             |
| Loan collected from related parties  | 124,028          | 4,161              |
| Sale of investments at fair value through profit or loss                                     | 87,117           | 445,695            |
| Sale of investments at fair value through equity   | 37,812           | 67,122             |
| Acquisition of subsidiaries  | -                | (1,873,510)        |
| Purchase of investments at fair value through profit or loss                                 | (90,102)         | (153,027)          |
| Purchase of investment properties, net of acquisitions through leasing contracts             | (118,315)        | (342,895)          |
| Purchase of property, furniture and equipment, net of acquisitions through leasing contracts | (339,869)        | (243,893)          |
| Value added tax payment related to investment properties                                     | (20,701)         | (36,489)           |
| Purchase of investments at fair value through equity   | (29,724)         | -                  |
| Loans granted to related parties   | (117,250)        | -                  |
| Purchase and development of intangible assets  | (14,243)         | (38,055)           |
| <b>Net cash flows used in investing activities</b>   | <b>(480,318)</b> | <b>(2,154,369)</b> |
| <b>Financing activities</b>  |                  |                    |
| Proceeds from interest-bearing loans and borrowings  | 617,243          | 4,470,525          |
| Proceeds from bond issuances, net of up-front fees and notes repurchased                     | -                | 2,097,012          |
| Sale of bonds in treasury  | -                | 5,810              |
| Capital contribution from non-controlling interest   | -                | 481,500            |
| Payment of bonds issued  | -                | (866,702)          |
| Repayment of interest-bearing loans and borrowings   | (488,391)        | (4,249,353)        |
| Payment of dividends   | (126,606)        | (26)               |
| Interest paid  | (226,157)        | (162,551)          |
| Payment of premium for repurchase of bonds issued  | -                | (77,092)           |
| Purchase of treasury shares  | -                | (90,125)           |
| Interest payment of lease liability  | (71,077)         | -                  |
| Payment of lease liability   | (185,760)        | -                  |
| <b>Net cash flows (uses) from financing activities</b>                                       | <b>(480,748)</b> | <b>1,608,998</b>   |
| Net (decrease) increase of cash and short-term deposits                                      | (50,125)         | 403,393            |
| <b>Cash and short-term deposits at the beginning of the period</b>                           | <b>642,838</b>   | <b>280,381</b>     |
| <b>Cash and short-term deposits at the end of the period</b>                                 | <b>592,713</b>   | <b>683,774</b>     |
| <b>Non-cash transactions</b>   |                  |                    |
| Fixed assets purchased through leasing and other financial obligations and non financial     | 7,561            | 129,202            |
| Investment properties purchased through leasing and other financial obligations              | 104,622          | -                  |
| Initial record of right-of-use asset   | 1,465,110        | -                  |
| Addition of the period of right-of-use asset   | 125,713          | -                  |

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 September 30, 2019 and December 31, 2018 and for the nine-month periods ended September 30, 2019 and 2018

#### 1. Business activity and Quicorp Group acquisition

##### a) Business activity

InRetail Peru 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 Peru Ltd. (a holding company incorporated in Bahamas, hereinafter "Intercorp Peru") which is the ultimate parent and holds 100.00 percent of Intercorp Retail Inc.'s capital stock.

As of September 30, 2019 the percentages of ownership are:

| <b>Owner</b>                 | <b>Ownership<br/>%</b> |
|------------------------------|------------------------|
| Intercorp Retail Inc.        | 58.04                  |
| Inteligo Bank                | 9.56                   |
| Intercorp Perú Ltd.          | 3.26                   |
| Intercorp Financial Services | 2.33                   |
| Others                       | 26.81                  |
| <b>Total</b>                 | <b>100.00</b>          |

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, Perú.

On August 21, 2014, the Company, as initial originator, established a trust fund (Special Purpose Entity) denominated "Patrimonio en Fideicomiso D.S.N°093-2002-EF-InRetail Consumer (hereinafter "InRetail Consumer"), in order to implement various investment projects and issuance of debt instruments that were executed, approved and supported by the Company and its Subsidiaries.

On September 15, 2014, the Board of InRetail Perú Corp. agreed to transfer in trust to return all shares of Supermercados Peruanos S.A. and InRetail Pharma S.A. (formerly Eckerd Perú S.A.) to InRetail Consumer.

The accompanying interim consolidated financial statements as of September 30, 2019 and for the nine-month periods ended September 30, 2019 and 2018, were approved by the Board of Directors on November 14, 2019.



## Notes to the interim consolidated financial statements (continued)

### b) Quicorp Group acquisition

In January 2018, the Company, through InRetail Pharma S.A. (formerly Eckerd Perú S.A) as the Parent Company, incorporated IR Pharma S.A.C. (formerly Chakana Salud S.A.C.), for the acquisition of 100 percent of Quicorp S.A. and its Subsidiaries (hereinafter and jointly, "Quicorp"): Química Suiza Comercial S.A.C., Química Suiza S.A.C., Cifarma S.A.C., Mifarma S.A.C., Empresa Comercializadora Mifarma S.A., Botica Torres de Limatambo S.A.C., Vanttive S.A.C., Farmacias Peruanas S.A.C., Drogueria La Victoria S.A.C., Vanttive Cía Ltda., Quifatex S.A., Quimiza Ltda, Quideca S.A., Albis S.A.C., Jorsa de la Selva S.A.C. and Superfarma Mayorista S.A.C. These entities operate in the manufacturing, distribution, marketing and retail segments within the pharmaceutical sector in Peru, Ecuador, Bolivia and Colombia.

The purchase price for the acquisition of Quicorp was approximately US\$591,351,000 equivalent to S/1,898,255,000, which was partially funded with a US\$1,000,000,000 bridge loan at one-year maturity, and at a 1 month Libor plus a spread interest rate. Such bridge loan was obtained by InRetail Pharma S.A. (formerly Eckerd Perú S.A.) from Citibank N.A. and JP Morgan Chase Bank N.A. Likewise, such bridge loan has been partially used for the aforementioned acquisition and, the difference, mainly for restructuring several debts obtained by related parties at InRetail Peru.

The Acquisition of Quicorp Group was accounted in accordance with IFRS 3 "Business Combination", by applying the purchase accounting method; as a result, the assets and liabilities acquired including certain intangibles assets not recorded by acquired companies were recorded at fair value on the date of their acquisition.

Below are the net book value and the adjustment at fair value of the identifiable assets and liabilities of the acquired entity at the acquisition date:

|   | <b>Fair value<br/>recognized on<br/>acquisition</b> |
|---|---|
|   | S/(000)   |
| <b>Net book value of the assets acquired</b>                                    | 408,205   |
| Value assigned to brands  | 449,014   |
| Other acquired intangibles  | 251,100   |
| Increase in inventory for fair value adjustment                                 | 23,136  |
| Increase in property, plant and equipment for fair value adjustment             | 57,659  |
| Increase in debt for fair value adjustment                                      | (4,799)   |
| Re-allocation of goodwill, brands and other assets net of previous acquisitions | (337,359)   |
| Deferred income tax   | (221,335)   |
| <b>Total identifiable net assets at fair value</b>                              | <b>625,621</b>                                      |
| Goodwill from acquisition. See Note 11 (d).                                     | 1,272,634   |
| <b>Purchase consideration transferred</b>                                       | <b>1,898,255</b>                                    |

## Notes to the interim consolidated financial statements (continued)

### 2. Subsidiary activities

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

(a) InRetail Consumer (a SPE controlled by the Company), was incorporated during the year 2014 only for the purpose of offering "Senior Notes Unsecured". As of September 30, 2019 and December 31, 2018 the representative shares of stock of Supermercados Peruanos S.A. and Subsidiaries and InRetail Pharma S.A. and Subsidiaries are maintained in trust in this entity. A description of such subsidiaries is presented below:

(i) InRetail Pharma S.A. (formerly Eckerd Perú S.A.) is dedicated to the commercialization of pharmaceutical, cosmetic, and food for medical use products and other elements related to health protection and recovery through its "Inkafarma" and "Mifarma" pharmacy chains. It is also dedicated, to the Manufacturing, Distribution and Marketing of pharmaceutical products. As of September 30, 2019 and December 31, 2018, the Company operates in Peru, Colombia, Ecuador and Bolivia. InRetail Pharma S.A. holds 100 percent of: (i) Eckerd Amazonía S.A.C. and (ii) Boticas del Oriente S.A.C. and (iii) through IR Pharma S.A.C. hold 73.21 percent of Quicorp S.A. See Note 1 b).

At the General Shareholders' Meeting held on February 27, 2018, it was agreed to change the Company's name from Eckerd Perú S.A. to InRetail Pharma S.A.

At the General Shareholders' Meeting held on April 23, 2018, the merger of the subsidiaries InRetail Pharma S.A. and IR Pharma S.A.C. was approved, with the latter being absorbed. As a result of the merger agreement InRetail Pharma S.A. increased its equity by approximately S/481,500,000.

(ii) Supermercados Peruanos S.A., is dedicated to retail. As of September 30, 2019 and December 31, 2018, has a chain of stores operating under the "Plaza Veá", "Plaza Veá Super", "Plaza Veá Express", "Vivanda", "Mass", "Mimarket" and "Economax" 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. (formerly Peruana de Tiquetes S.A.C.), (ii) Plaza Veá Sur S.A.C., and (iii) Plaza Veá Oriente S.A.C.

(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 September 30, 2019 and December 31, 2018, 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 September 30, 2019 and December 31, 2018) 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 September 30, 2019 and December 31, 2018, the Company holds 100 percent of Centro Comercial Estación Central S.A. and Inversiones Real Estate S.A.

## Notes to the interim consolidated financial statements (continued)

- (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.

### 3. Basis of preparation and presentation

- (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 September 30, 2019 and December 31, 2018, 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 investment properties, derivative financial instruments and investments to fair value through equity that have been measured at fair value. The consolidated financial statements are presented in Soles and all values are rounded to the nearest thousand (S/(000)), except when otherwise indicated.

The functional currency of the subsidiaries domiciled in Ecuador, Bolivia and Colombia 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 exchanges 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.

## Notes to the interim consolidated financial statements (continued)

### (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, 2018.

### (c) New accounting standards

The accounting policies adopted in the preparation of the interim condensed combined financial statements are consistent with those followed in the preparation of the Companies annual combined financial statements for the year ended December 31, 2018, except for the adoption of the new standards and interpretations as of January 1, 2019.

#### **Standard adopted early IFRS 9**

Since 2014, the Companies use derivative instruments to manage its exposure to exchange rates. In order to manage these risks, the Companies apply hedge accounting for transactions which meet specific criteria for this. At the beginning of the hedging relationship, the Companies formally document the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess its effectiveness.

The accounting treatment is established according to the nature of the hedged item and the fulfillment of the criteria for coverage. The effective portion of these hedges are recorded in other comprehensive income and then transferred to the hedged item when they affect results. The ineffective portion and the time value of the options is amortized linearly over the life of the option and are recognized as interest expense.

In order for the time value of the options to be amortized linearly over the life of the option and avoid high volatility, the Company decided to adopt IFRS 9 in advance.

During 2015, InRetail Perú Corp. decided to adopt in advance IFRS 9, effective on a mandatory basis for annual periods beginning on January 1, 2018.

## Notes to the interim consolidated financial statements (continued)

### Standards adopted

The InRetail Group adopts the following standards and interpretations that have been issued by the IASB, and are effective as of January 1, 2018:

- IFRS 15 "Revenue from Contracts with Customers"–

IFRS 15, replaced IAS 18 "Revenue" and IAS 11 "Construction contracts" and was applied by the InRetail Group as of January 1, 2018 to all contracts with customers, except for lease agreements, financial instruments and insurance contracts.

The standard establishes a more systematic approach to the measurement and recognition of revenues through the introduction of a five-step model that will apply to revenues arising from contracts with customers. Under IFRS 15, the income is recognized for an amount that reflects the contractual consideration agreed with the client.

For the transition to IFRS 15, the InRetail Group has used the modified prospective approach indicated by the standard; however, due to the type of operations performed by the InRetail Group, the adoption of IFRS 15 has not generated impacts on net equity as of January 1, 2018.

The revenues of the Company and its Subsidiaries correspond mainly to the sale of mass consumption goods and rental of commercial premises. The transfer to customers occurs at a specific time, when the merchandise is delivered, in the case of goods, and in the case of rentals, the transfer of the benefit to customers is over time, given that the customer has the ability to direct its use and to receive the benefits derived from it during the period of the contract.

The other revenues, which are lower in relation to sales of goods and rental of premises, correspond mainly to delivery services, future discounts through loyalty programs, franchise law and other logistics services.

Considering this frame of reference, the analysis of the impacts of IFRS 15 to date, by type of income is as follows:

- (a) Sale of goods

For this income, this rule did not have a significant impact on the results, because there is only one contractual obligation that is the sale of goods. In this case, the recognition of the income occurs at the moment in which the control of the assets is transferred to the client, which is when the goods are delivered.

Also, in accordance with the model of IFRS 15, the other relevant aspects for the Company and its Subsidiaries are the determination of the sale price and whether, in some cases, there are other contractual obligations that should be separated from the sale and delivery of the goods. In this sense, the relevant aspects that apply are:

## Notes to the interim consolidated financial statements (continued)

### (i) Variable considerations

Some contracts with clients provide return rights and commercial or volume discounts. The amount of these items is calculated by estimating the weighted average probability and, in accordance with IFRS 15, these items correspond to variable considerations that affect the determination of the sales price and sales revenue, which is why they are estimated at the beginning of the contract and they are updated later.

In this sense, IFRS 15 establishes that revenues will only be recognized if it can be demonstrated that there will be no significant reversions of income when estimating variable considerations, which is why they are recognized as a decrease in commercial accounts receivable in the consolidated financial statement position and a decrease of ordinary income in the consolidated statement of income, according to the following detail:

- **Right of return:**  
When a contract with a client provides the right of return of the good in a specific period, the Company and its Subsidiaries register that right of return at the time it is being made and register it at the end of the same period, in the "returns", which is consistent with the criteria accepted by IFRS 15. In this sense, the amount of which returns is recorded as merchandise revenue and included in the item "Inventories, net" because these returns are again used as products for sale. When the return is generated, the sale is reversed, in case the good cannot be exchanged for another good of the same value, the item enters to "Inventories, net", which is done at the cost of the product and is sold again at the same sale price.
- **Discounts and special prices:**  
The Company and its Subsidiaries grant discounts mainly for commercial reasons. Eventually they offer special prices for customers by different means, these prices are higher than the cost of the product but lower than the list price. These discounts and the difference for these special prices are included in the consolidated statement of income through the recognition of provisions for expenses each month, which directly affect the income from ordinary activities.

### (b) Rental Service

The Company and its Subsidiaries provide various services, the main ones being rental of commercial premises, temporary rentals of commercial space in shopping centers, visual advertising services and transportation of goods. Consequently, in accordance with IFRS 15, the income from these services is recognized over time, as of the moment when the service starts.

The variable considerations for this performance obligation correspond mainly to the variable income specified in each contract. In this sense, IFRS 15 establishes that revenues will only be recognized if it can be demonstrated that there will be no significant reversions of income when estimating variable considerations; therefore, revenues will be recognized at the time they occur, given that the estimation of the variable consideration for the term of the contracts has a high degree of volatility.

## Notes to the interim consolidated financial statements (continued)

### (c) Other Income

The Company and its Subsidiaries generate other income mainly for delivery concepts, future discounts through loyalty programs, franchise rights and other logistics services. In accordance with IFRS 15, the variable considerations corresponding to this type of performance obligations are considered by the Management at the time when the recognition of income is given.

#### - IFRS 9 "Financial Instruments"

The InRetail Group adopted in advance IFRS 9 "Financial Instruments", effective on a mandatory basis for annual periods beginning on or after January 1, 2018, taking January 1, 2015 as the date of initial application. At the date of the early application of IFRS 9, there were no significant effects in the consolidated financial statements of InRetail Perú Corp. and Subsidiaries at that date.

#### - IFRS 16 "Leases"

IFRS 16 refers to the identification of leases, as well as its accounting treatment for tenants and landlords. Under this IFRS, operating leases are recognized on the Statement of Financial Position, increasing assets and liabilities, as if they were leveraged asset acquisitions.

Earlier application is permitted provided IFRS 15 "Revenue from contracts with customers" is also applied and is effective for fiscal years beginning January 1, 2019.

As January 1, 2019, the implementation of this standard in the InRetail Group has increased the account receivable from related parties, related to contracts, in which the company is only an intermediary by S/27,799,000, increased the asset for the right of use S/1,465,110,000 and a lease liability S/1,492,909,000.

During the period, the initial asset for the right of use of S/1,465,110,000, has increased by new assets of right of use S/125,713,000 and has decreased by: (i) depreciation expense S/221,910,000, (ii) disposal of assets S/11,560,000, and (iii) foreign currency translation S/74,000, presenting a balance of S/1,357,279,000, as of September 30, 2019.

The initial lease liability of S/1,492,909,000, has increased by: (i) new obligations S/125,713,000, (ii) exchange difference S/1,314,000, and has decreased by: (i) amortization S/185,760,000, (ii) foreign currency translation S/46,000, and (iii) disposals S/11,327,000, presenting a balance of S/1,422,803,000, as of September 30, 2019. This liability has generated a greater financial expense of S/71,077,000.

Likewise, the rental expenses present a decrease of S/256,837,000.

## Notes to the interim consolidated financial statements (continued)

### 4. Cash and short-term deposits

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

|                        | As of September 30,<br>2019<br>S/(000) | As of December 31,<br>2018<br>S/(000) |
|------------------------|--|---------------------------------------|
| Cash (b)               | 17,799                                 | 7,330                                 |
| Current accounts (c)   | 474,532                                | 495,101                               |
| Time deposits (d)      | 61,566                                 | 77,787                                |
| Remittances in transit | 38,816                                 | 62,577                                |
| Others                 | -                                      | 43                                    |
| <b>Total</b>           | <b>592,713</b>                         | <b>642,838</b>                        |

- (b) As of September 30, 2019 and December 31, 2018, 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 0.01 and 4.37 percent in local currency and 1.50 percent annual in US Dollars as of September 30, 2019 (between 0.50 and 7.75 percent in Soles and 1.20 percent in US Dollars as of December 31, 2018).

### 5. Trade receivables, net

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

|                                     | As of September 30,<br>2019<br>S/(000) | As of December 31,<br>2018<br>S/(000) |
|-------------------------------------|--|---------------------------------------|
| Invoices (c)                        | 489,929                                | 567,162                               |
| Retail sales (e)                    | 33,953                                 | 40,093                                |
| Provision for accrued revenue (f)   | 15,341                                 | 15,079                                |
| Rent receivable (d)                 | 12,799                                 | 15,709                                |
| Others                              | 2,496                                  | 2,262                                 |
| <b>Total</b>                        | <b>554,518</b>                         | <b>640,305</b>                        |
| Provision for doubtful accounts (g) | (57,713)                               | (64,596)                              |
| <b>Total</b>                        | <b>496,805</b>                         | <b>575,709</b>                        |



## Notes to the interim consolidated financial statements (continued)

- (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.
- (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 September 30, 2019 and December 31, 2018, 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 nine-months periods ended September 30, 2019 and 2018, were as follows:

|  | <b>2019</b>   | <b>2018</b>   |
|--|---------------|---------------|
|  | S/(000)       | S/(000)       |
| <b>Balance at the beginning of the year</b>  | 64,596        | 15,661        |
| Acquisition of subsidiary                    | -             | 49,661        |
| Provision recognized as expense, Note 18 (a) | 6,204         | 7,858         |
| Recoveries, Note 18 (a)                      | (1,327)       | (3,508)       |
| Write-offs                                   | (11,713)      | (5,107)       |
| Exchange rate                                | 24            | 7             |
| Foreign currency translation                 | 14            | 329           |
| Others                                       | (85)          | 210           |
| <b>Balance as of September 30</b>            | <b>57,713</b> | <b>65,111</b> |
| <b>Balance as of December 31, 2018</b>       |               | <b>64,596</b> |

As of September 30, 2019 and December 31, 2018, the amount of trade receivables past due but not impaired amounted to approximately S/86,876,000 and S/107,423,000, 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 September 30, 2019 and December 31, 2018, appropriately covers the credit risk of this item at those dates.

## Notes to the interim consolidated financial statements (continued)

### 6. Inventories, net

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

|   | <b>As of September 30,<br/>2019</b> | <b>As of December 31,<br/>2018</b> |
|---|-------------------------------------|------------------------------------|
|   | S/(000)                             | S/(000)                            |
| Goods, Note 18 (a)                                  | 1,758,389                           | 1,696,905                          |
| Goods in transit (b)                                | 95,364                              | 33,362                             |
| Miscellaneous supplies                              | 4,474                               | 4,750                              |
| Miscellaneous supplies for manufacture, Note 18 (a) | 1,264                               | 1,075                              |
| Raw material, Note 18 (a)                           | 13,069                              | 12,129                             |
| Finished goods, Note 18 (a)                         | 105                                 | 672                                |
| <b>Total</b>  | <b>1,872,665</b>                    | <b>1,748,893</b>                   |
| <b>Minus</b>  |                                     |                                    |
| Provision for impairment of inventories (c)         | (20,939)                            | (12,603)                           |
| <b>Total</b>  | <b>1,851,726</b>                    | <b>1,736,290</b>                   |

(b) Correspond to goods and miscellaneous supplies imported by the InRetail Group in order to satisfy customers demand in its stores.

(c) The movement in the provision for inventory impairment for the nine-month periods ended September 30, 2019 and 2018, was as follows:

|   | <b>2019</b>   | <b>2018</b>   |
|---|---------------|---------------|
|   | S/(000)       | S/(000)       |
| <b>Balance at the beginning of the year</b> | 12,603        | 8,101         |
| Acquisition of subsidiary                   | -             | 24,684        |
| Provision of the period, Note 18 (a)        | 12,614        | 19,930        |
| Recoveries                                  | -             | (1,108)       |
| Write-offs                                  | (4,281)       | (10,196)      |
| Foreign currency translation                | 3             | 80            |
| <b>Balance as of September 30</b>           | <b>20,939</b> | <b>41,491</b> |
| <b>Balance as of December 31, 2018</b>      |               | <b>12,603</b> |

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.

## Notes to the interim consolidated financial statements (continued)

### 7. Investment to fair value through equity

In June 2019, the Company acquired financial investments that correspond to bonds issued by Intercorp Peru Ltd. for an amount of US\$8,874,000 equivalent to S/29,724,000 due in 2025, and accrue annual effective interest of 5.875 percent (US\$2,487,000 equivalent to S/8,377,000 as of December 31, 2018). In August 2019, the Company sold all of these investments for an amount of S / 37,812,000 that is presented in the consolidated

As of September 30, 2019, the realized result, net of deferred income tax, of the notes held amounted to S/153,000 (unrealized result net of deferred income tax of S/197,000 as of September 30, 2018) and is presented in the consolidated statements of change in equity.

### 8. Derivative financial instruments

As of September 30, 2019 and December 31, 2018, this item comprises of two "Principal Call Spread" contracts 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<br>value | Due        | Pay fix<br>at | Book value of      | Fair value     | Fair value     |
|-------------------|------------------|------------|---------------|--------------------|----------------|----------------|
|                   |                  |            |               | the hedged<br>item | 2019           | 2018           |
|                   | US\$(000)        |            | %             | S/(000)            | S/(000)        | S/(000)        |
| J.P. Morgan (a)   | 350,000          | April 2028 | 1.05          | 1,184,750          | 85,613         | 77,257         |
| Citibank N.A. (a) | 400,000          | May 2023   | 2.38          | 1,354,000          | 79,904         | 86,694         |
| <b>Total</b>      |                  |            |               |                    | <b>165,517</b> | <b>163,951</b> |

(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. Between the contract date of the Call Spread and the date of issue of the bond, this contract was recorded as a negotiation instrument. 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 14(b).

In April 2018, InRetail Pharma S.A. 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 May 2018. Between the contract date of the Call Spread and the date of issue of the bond, this contract was recorded as a negotiation instrument. 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 14 (c).

As of September 30, 2019, these instruments covers 100 percent 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. The premium price was financed in installments equal to the issue.

## Notes to the interim consolidated financial statements (continued)

### 9. Property, furniture and equipment, net

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

|   | Right-of-Use<br>asset<br>S/(000) | Land<br>S/(000) | Buildings<br>infrastructure<br>and facilities<br>S/(000) | Miscellaneous<br>and equipment<br>S/(000) | Vehicles<br>S/(000) | Furniture<br>and fixture<br>S/(000) | Works in<br>progress<br>S/(000) | As of<br>September<br>30, 2019<br>S/(000) | As of<br>December 31,<br>2018<br>S/(000) |
|---|----------------------------------|-----------------|--|---|---------------------|-------------------------------------|---------------------------------|---|--|
| <b>Cost</b>                                   |                                  |                 |  |   |                     |                                     |                                 |   |  |
| <b>Initial balance</b>                        | -                                | 859,640         | 2,187,306  | 1,265,174                                 | 4,656               | 191,341                             | 313,759                         | 4,821,876                                 | 3,695,504                                |
| Subsidiary acquisition                        | -                                | -               | -  | -   | -                   | -                                   | -                               | -   | 729,865                                  |
| First adoption of IFRS 16                     | 1,465,110                        | -               | -  | -   | -                   | -                                   | -                               | 1,465,110                                 | -  |
| Additions (b)                                 | 125,713                          | 83,961          | 78,831   | 83,406                                    | 151                 | 13,700                              | 87,381                          | 473,143                                   | 531,164                                  |
| Disposals and/or sales (c)                    | (12,894)                         | -               | (3,323)  | (69,608)                                  | (565)               | (3,327)                             | (148)                           | (89,865)                                  | (136,790)                                |
| Transfer to intangible assets, Note 11 (a)    | -                                | -               | -  | -   | -                   | -                                   | (654)                           | (654)                                     | -  |
| Transfer                                      | -                                | -               | 3,733  | 1,257                                     | -                   | 379                                 | (5,369)                         | -   | -  |
| Transfer to investment properties, Note 10(b) | -                                | -               | 54,534   | (3,531)                                   | -                   | (280)                               | (91,014)                        | (40,291)                                  | -  |
| Foreign currency translation                  | 47                               | -               | 4  | 60  | (5)                 | 3                                   | 5                               | 114                                       | 2,133                                    |
| <b>Final balance</b>                          | <b>1,577,976</b>                 | <b>943,601</b>  | <b>2,321,085</b>   | <b>1,276,758</b>                          | <b>4,237</b>        | <b>201,816</b>                      | <b>303,960</b>                  | <b>6,629,433</b>                          | <b>4,821,876</b>                         |
| <b>Accumulated depreciation</b>               |                                  |                 |  |   |                     |                                     |                                 |   |  |
| <b>Initial balance</b>                        | -                                | -               | 511,944  | 767,752                                   | 2,572               | 103,641                             | -                               | 1,385,909                                 | 972,444                                  |
| Subsidiary acquisition                        | -                                | -               | -  | -   | -                   | -                                   | -                               | -   | 300,518                                  |
| Additions (d)                                 | 221,910                          | -               | 66,944   | 85,928                                    | 423                 | 13,933                              | -                               | 389,138                                   | 205,762                                  |
| Disposals and/or sales (c)                    | (1,334)                          | -               | (1,537)  | (68,195)                                  | (486)               | (2,235)                             | -                               | (73,787)                                  | (94,421)                                 |
| Transfer                                      | -                                | -               | -  | 294                                       | -                   | (294)                               | -                               | -   | -  |
| Transfer to investment properties, Note 10(b) | -                                | -               | -  | (45)                                      | -                   | -                                   | -                               | (45)                                      | -  |
| Foreign currency translation                  | 121                              | -               | 16   | 50  | (5)                 | 14                                  | -                               | 196                                       | 1,606                                    |
| <b>Final balance</b>                          | <b>220,697</b>                   | <b>-</b>        | <b>577,367</b>   | <b>785,784</b>                            | <b>2,504</b>        | <b>115,059</b>                      | <b>-</b>                        | <b>1,701,411</b>                          | <b>1,385,909</b>                         |
| <b>Net book value</b>                         | <b>1,357,279</b>                 | <b>943,601</b>  | <b>1,743,718</b>   | <b>490,974</b>                            | <b>1,733</b>        | <b>86,757</b>                       | <b>303,960</b>                  | <b>4,928,022</b>                          | <b>3,435,967</b>                         |

## Notes to the interim consolidated financial statements (continued)

- (b) Additions for the nine-month periods ended September 30, 2019 and December 31, 2018 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 disposals of unusable assets as a result of the process of change of format in some premises and pharmacies 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 nine-month periods ended September 30, 2019 and 2018, was recorded as follows in the income statement:

|  | <b>2019</b>    | <b>2018</b>    |
|--|----------------|----------------|
|  | S/(000)        | S/(000)        |
| Cost of sales, Note 18 (a)             | 12,801         | 3,233          |
| Sales expenses, Note 18 (a)            | 348,869        | 131,493        |
| Administrative expenses, Note 18 (a)   | 27,468         | 15,403         |
|  | <u>389,138</u> | <u>150,129</u> |
| <b>Balance as of September 30</b>      | <b>389,138</b> | <b>150,129</b> |
| <b>Balance as of December 31, 2018</b> |                | <b>205,762</b> |

- (e) As of September 30, 2019, Supermercados Peruanos S.A. has mortgaged land, buildings and facilities for a net book value of S/730,185,000 (S/775,520,000 as of December 31, 2018), as collateral of the financial obligations and the leasing contracts (see Note 14).
- (f) As of September 30, 2019, the cost and corresponding accumulated depreciation of assets acquired through finance leases amount to approximately S/719,683,000 and S/257,219,000, respectively (S/761,726,000 and S/285,543,000, respectively, as of December 31, 2018).
- (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)

### 10. Investment properties

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

|   | As of September 30,<br>2019<br>S/(000) | As of December 31,<br>2018<br>S/(000) |
|---|--|---------------------------------------|
| Real Plaza Salaverry Shopping Mall (i)                          | 434,814                                | 429,936                               |
| Real Plaza Puruchuco project                                    | 480,797                                | 328,797                               |
| Real Plaza Primavera Shopping Mall                              | 232,123                                | 226,634                               |
| Real Plaza Chiclayo Shopping Mall                               | 238,796                                | 227,153                               |
| Real Plaza Cusco Shopping Mall (i)                              | 237,071                                | 216,073                               |
| Real Plaza Piura Shopping Mall                                  | 212,792                                | 207,937                               |
| Real Plaza Centro Civico Shopping Mall (i)                      | 200,311                                | 198,942                               |
| Real Plaza Trujillo Shopping Mall                               | 197,128                                | 186,349                               |
| Real Plaza Huancayo Shopping Mall (i)                           | 141,445                                | 140,121                               |
| Real Plaza Pucallpa Shopping Mall                               | 136,168                                | 134,424                               |
| Real Plaza Huánuco Shopping Mall (i)                            | 94,351                                 | 92,839                                |
| Real Plaza Cajamarca Shopping Mall                              | 88,819                                 | 87,766                                |
| Real Plaza Villa Maria del Triunfo Shopping Mall (La Curva) (i) | 82,306                                 | 81,380                                |
| Real Plaza Juliaca Shopping Mall (i)                            | 75,192                                 | 75,169                                |
| Real Plaza Santa Clara - Altamirano Shopping Mall               | 76,270                                 | 75,157                                |
| Real Plaza Chorrillos Shopping Mall                             | 66,050                                 | 65,034                                |
| Real Plaza Pro Shopping Mall                                    | 63,019                                 | 62,099                                |
| Real Plaza Arequipa Shopping Mall (i)                           | 55,106                                 | 56,391                                |
| Plaza Center Lurin Shopping Mall                                | 50,448                                 | 49,465                                |
| Real Plaza Nuevo Chimbote Shopping Mall                         | 38,317                                 | 36,714                                |
| Plaza Center Ilo Shopping Mall                                  | 37,534                                 | -                                     |
| Real Plaza Sullana Shopping Mall                                | 30,410                                 | 30,054                                |
| Plaza Center Villa El Salvador Shopping Mall                    | 29,993                                 | 28,847                                |
| Plaza Center Moquegua Shopping Mall                             | 27,602                                 | 27,163                                |
| Plaza Center Tacna Shopping Mall                                | 19,545                                 | 18,017                                |
| Plaza Center Tarapoto Shopping Mall                             | 17,665                                 | -                                     |
| Jr. de la Unión stores  | 13,655                                 | 13,354                                |
| Others  | 207,373                                | 203,203                               |
| <b>Total</b>  | <b>3,585,100</b>                       | <b>3,299,018</b>                      |

(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.

## Notes to the interim consolidated financial statements (continued)

“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.

- (b) The movement of this account for the nine-month periods ended September 30, 2019 and 2018 was as follows:

|  | <b>2019</b>      | <b>2018</b>      |
|--|------------------|------------------|
|  | S/(000)          | S/(000)          |
| <b>Balance at the beginning of the year</b>                      | 3,299,018        | 2,870,002        |
| Acquisition of subsidiary  | -                | 10,131           |
| Additions  | 222,937          | 342,895          |
| Disposal   | -                | (8,458)          |
| Fair value adjustment  | 22,899           | 9,609            |
| Transfer from (to) property, furniture and equipment; Note 9 (a) | 40,246           | (8,969)          |
| <b>Balance as of September 30</b>                                | <b>3,585,100</b> | <b>3,215,210</b> |
| <b>Balance as of December 31, 2018</b>                           |                  | <b>3,299,018</b> |

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 arriving at their estimates of market values, the Management of the InRetail Group has used their market knowledge and professional judgment and not only relied on historical transactional comparables. Fair value adjustment is included in the “Other operating income” caption of the consolidated income statement.

## Notes to the interim consolidated financial statements (continued)

### 11. Intangible assets, net

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

|   | As of September 30,<br>2019<br>S/(000) | As of December 31,<br>2018<br>S/(000) |
|---|--|---------------------------------------|
| <b>Cost</b>   |  |                                       |
| <b>Initial balance</b>                                | <b>1,388,533</b>                       | <b>570,806</b>                        |
| Acquisition of subsidiary                             | -                                      | 783,306                               |
| Additions (c)   | 14,243                                 | 48,618                                |
| Disposal and/or sales                                 | (2,082)                                | (14,387)                              |
| Transfer from property plant and equipment, Note 9(a) | 654                                    | -                                     |
| Foreign currency translation                          | (123)                                  | 190                                   |
| <b>Final balance</b>                                  | <b>1,401,225</b>                       | <b>1,388,533</b>                      |
| <b>Accumulated amortization</b>                       |  |                                       |
| <b>Initial balance</b>                                | <b>182,336</b>                         | <b>83,529</b>                         |
| Acquisition of subsidiary                             | -                                      | 61,780                                |
| Additions (e)   | 40,050                                 | 50,667                                |
| Disposals and/or sales                                | (1,895)                                | (13,792)                              |
| Foreign currency translation                          | (27)                                   | 152                                   |
| <b>Final balance</b>                                  | <b>220,464</b>                         | <b>182,336</b>                        |
| <b>Goodwill</b>                                       |  |                                       |
| <b>Initial balance (d)</b>                            | <b>1,982,106</b>                       | <b>709,472</b>                        |
| Additions   | -                                      | 1,272,634                             |
| <b>Final balance</b>                                  | <b>1,982,106</b>                       | <b>1,982,106</b>                      |
| <b>Net, book value</b>                                | <b>3,162,867</b>                       | <b>3,188,303</b>                      |

(b) As of September 30, 2019 and December 31, 2018, this caption mainly includes approximately S/373,054,000 corresponding to the brand "Inkafarma", S/395,355,000 to the Mifarma brand, S/17,791,000 to Quimica Suiza, S/15,911,000 to the Ninet 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 impairment test for goodwill and intangible assets with indefinite useful lives is based on value-in-use calculations which use a discounted cash flow model.

(c) As of September 30, 2019 and December 31, 2018, 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 software 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).



## Notes to the interim consolidated financial statements (continued)

- (d) As of September 30, 2019, this caption mainly includes the goodwill, as a result of the acquisition of the Quicorp Group S/1,272,634,000 and InRetail Pharma S/709,472,000. See Note 1(b).
- (e) Amortization expense for the nine-month periods ended September 30, 2019 and 2018 has been recorded in the following items of the combined statements:

|  | <b>2019</b><br>S/(000) | <b>2018</b><br>S/(000) |
|--|------------------------|------------------------|
| Cost of sales, Note 18 (a)             | 52                     | 68                     |
| Sales expenses, Note 18 (a)            | 31,331                 | 11,019                 |
| Administrative expenses, Note 18 (a)   | 8,667                  | 7,820                  |
| <b>Balance as of September 30</b>      | <b>40,050</b>          | <b>18,907</b>          |
| <b>Balance as of December 31, 2018</b> |                        | <b>50,667</b>          |

### 12. Trade payables

The table below presents the composition of this caption:

|  | <b>As of September 30,<br/>2019</b><br>S/(000) | <b>As of December 31,<br/>2018</b><br>S/(000) |
|--|--|---|
| Bills payable from purchase of goods   | 2,318,271                                      | 2,432,652                                     |
| Bills payable from commercial services | 309,875  | 511,976                                       |
| Provision for services and maintenance | 148,021  | 39,984  |
| <b>Total</b>                           | <b>2,776,167</b>                               | <b>2,984,612</b>                              |
| Current                                | 2,760,093                                      | 2,964,969                                     |
| Non current                            | 16,074   | 19,643  |
| <b>Total</b>                           | <b>2,776,167</b>                               | <b>2,984,612</b>                              |

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.

## Notes to the interim consolidated financial statements (continued)

### 13. Lease liability

On January 1, 2019, IFRS 16 "Leases" entered into force, requiring the presentation of an asset for right-of-use and a financial liability that reflects the future payments brought to the present value of the leases.

The movement of this caption for the nine-month period ended as of September 30, 2019 is as follows:

|                              | <b>As of September<br/>30, 2019</b> |
|------------------------------|-------------------------------------|
|                              | <u>S/(000)</u>                      |
| <b>Initial balance</b>       | -                                   |
| First adoption of IFRS 16    | 1,492,909                           |
| Additions                    | 125,713                             |
| Amortization                 | (185,760)                           |
| Disposals                    | (11,327)                            |
| Exchange rate                | 1,314                               |
| Foreing currency translation | (46)                                |
| <b>Final balance</b>         | <b><u>1,422,803</u></b>             |
| <b>Current</b>               | 311,738                             |
| <b>Non-current</b>           | 1,111,065                           |
| <b>Total</b>                 | <b><u>1,422,803</u></b>             |

Additionally, in the nine-month period ended as of September 30, 2019, interest related to the lease liability S/71,077,000 has been accrued.

## Notes to the interim consolidated financial statements (continued)

### 14. 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)      | \$ (000) | S/(000)        | 2019             | 2018             | 2019          | 2018          | 2019             | 2018             |
|  |                   |                         |                |                 |          |                | S/(000)          | S/(000)          | S/(000)       | S/(000)       | S/(000)          | S/(000)          |
| <b>Senior Notes Unsecured</b>          |                   |                         |                |                 |          |                |                  |                  |               |               |                  |                  |
| Senior Notes Unsecured (b)             | USD               | 5.750                   | 2028           | 350,000         | -        | -              | 1,107,608        | 1,100,785        | -             | -             | 1,107,608        | 1,100,785        |
| Senior Notes Unsecured (b)             | PEN               | 6.563                   | 2028           | -               | -        | 313,500        | 309,776          | 309,540          | -             | -             | 309,776          | 309,540          |
| Senior Notes Unsecured (d)             | PEN               | 7.875                   | 2034           | -               | -        | 141,000        | 135,497          | 135,446          | -             | -             | 135,497          | 135,446          |
| Senior Notes Unsecured (c)             | PEN               | 6.438                   | 2025           | -               | -        | 385,800        | 383,628          | 383,390          | -             | -             | 383,628          | 383,390          |
| Senior Notes Unsecured (c)             | USD               | 5.375                   | 2023           | 400,000         | -        | -              | 1,336,474        | 1,330,899        | -             | -             | 1,336,474        | 1,330,899        |
|  |                   |                         |                | <b>750,000</b>  | <b>-</b> | <b>840,300</b> | <b>3,272,983</b> | <b>3,260,060</b> | <b>-</b>      | <b>-</b>      | <b>3,272,983</b> | <b>3,260,060</b> |
| <b>Leasings</b>                        |                   |                         |                |                 |          |                |                  |                  |               |               |                  |                  |
| <b>Related entities</b>                |                   |                         |                |                 |          |                |                  |                  |               |               |                  |                  |
| Banco Internacional del Perú-Interbank | PEN               | 7.850                   | 2019           | -               | -        | 27,412         | -                | 4,219            | -             | 4,219         | -                | -                |
| Banco Internacional del Perú-Interbank | PEN               | Between 6.000 and 6.230 | 2022           | -               | -        | 136,502        | 101,074          | 121,318          | 27,271        | 27,272        | 73,803           | 94,046           |
| Banco Internacional del Perú-Interbank | USD               | 5.300                   | 2020           | 208             | -        | -              | 53               | 171              | 53            | 150           | -                | 21               |
| <b>Non related entities</b>            |                   |                         |                |                 |          |                |                  |                  |               |               |                  |                  |
| Banco de Crédito del Perú              | PEN               | Between 6.590 and 7.850 | 2022           | -               | -        | 57,982         | 11,473           | 18,576           | 6,295         | 8,952         | 5,178            | 9,624            |
| Banco de Crédito del Perú              | PEN               | Between 7.970 and 8.060 | 2019-2024      | -               | -        | 108,400        | 30,034           | 37,131           | 7,227         | 9,830         | 22,807           | 27,301           |
| Banco Scotiabank                       | PEN               | 6.820                   | 2025           | -               | -        | 430,000        | 213,438          | 109,060          | -             | -             | 213,438          | 109,060          |
| Banco Scotiabank                       | PEN               | Between 6.390 and 7.600 | 2020           | -               | -        | 37,630         | 4,877            | 10,874           | 4,877         | 7,810         | -                | 3,064            |
| Banco Continental                      | PEN               | Between 5.900 and 6.900 | 2019           | -               | -        | 1,717          | -                | 69               | -             | 69            | -                | -                |
| Banco Santander del Perú               | PEN               | Entre 6.920 y 7.650     | 2022           | -               | -        | 1,419          | 1,094            | 686              | 360           | 165           | 734              | 521              |
| Banco Scotiabank                       | PEN               | 7.550                   | 2019           | -               | -        | 12,528         | 21               | 114              | 21            | 114           | -                | -                |
| Banco de Crédito del Perú              | PEN               | 5.500                   | 2021           | -               | -        | 399            | 273              | 370              | 133           | 130           | 140              | 240              |
| Banco de Crédito del Perú              | PEN               | 7.560                   | 2020           | -               | -        | 111            | 47               | 75               | 39            | 37            | 8                | 38               |
| Banco Continental                      | PEN               | Between 4.950 and 7.500 | 2019-2021      | -               | -        | 887            | 122              | 323              | 85            | 259           | 37               | 64               |
| Banco Santander del Perú               | PEN               | Between 7.250 and 8.550 | 2020           | -               | -        | 195            | 46               | 162              | 46            | 123           | -                | 39               |
|  |                   |                         |                | <b>208</b>      | <b>-</b> | <b>815,182</b> | <b>362,552</b>   | <b>303,148</b>   | <b>46,407</b> | <b>59,130</b> | <b>316,145</b>   | <b>244,018</b>   |

## 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)      | \$ (000)         | S/(000)          | 2019             | 2018             | 2019           | 2018           | 2019             | 2018             |
|  |                   |                         |                |                 |                  |                  | S/(000)          | S/(000)          | S/(000)        | S/(000)        | S/(000)          | S/(000)          |
| <b>Notes and Loans (e)</b>                 |                   |                         |                |                 |                  |                  |                  |                  |                |                |                  |                  |
| <b>Related entities</b>                    |                   |                         |                |                 |                  |                  |                  |                  |                |                |                  |                  |
| Banco Internacional del Perú-Interbank     | PEN               | 5.850                   | 2025           | -               | -                | 109,614          | 101,192          | 94,097           | 25,292         | 10,233         | 75,900           | 83,864           |
| Banco Internacional del Perú-Interbank     | USD               | 3.020                   | 2019           | 3,500           | -                | -                | 11,848           | -                | 11,848         | -              | -                | -                |
| Banco Internacional del Perú-Interbank (i) | PEN               | 4.700                   | 2025           | -               | -                | 161,950          | 132,077          | 149,302          | 22,970         | 26,824         | 109,107          | 122,478          |
| <b>Non related entities</b>                |                   |                         |                |                 |                  |                  |                  |                  |                |                |                  |                  |
| Banco de Crédito del Perú                  | PEN               | Between 3.360 and 6.360 | 2024           | -               | -                | 374,097          | 323,639          | 163,806          | 218,177        | 33,724         | 105,462          | 130,082          |
| Banco Continental                          | PEN               | 2.970                   | 2019           | -               | -                | 29,000           | 29,000           | -                | 29,000         | -              | -                | -                |
| Banco Scotiabank                           | PEN               | Between 3.350 and 6.950 | 2025           | -               | -                | 929,100          | 709,375          | 621,521          | 290,031        | 108,567        | 419,344          | 512,954          |
| Banco Scotiabank (h)                       | PEN               | 4.700                   | 2025           | -               | -                | 161,950          | 132,095          | 149,326          | 22,973         | 26,828         | 109,122          | 122,498          |
| Banco Scotiabank (f)                       | PEN               | 6.700                   | 2019           | -               | -                | 100,000          | 6,245            | 24,940           | 6,245          | 24,940         | -                | -                |
| Banco Continental                          | PEN               | 4.110                   | 2018           | -               | -                | 17,000           | -                | 17,000           | -              | 17,000         | -                | -                |
| Banco de Crédito del Perú                  | PEN               | 3.990                   | 2019           | -               | -                | 15,000           | -                | 15,000           | -              | 15,000         | -                | -                |
| Banco Scotiabank                           | PEN               | Between 3.900 and 4.000 | 2019           | -               | -                | 29,000           | -                | 29,000           | -              | 29,000         | -                | -                |
| BBVA Banco Continental                     | PEN               | 3.300                   | 2019           | -               | -                | 15,000           | 15,000           | -                | 15,000         | -              | -                | -                |
| Banco Scotiabank                           | PEN               | 3.300                   | 2019           | -               | -                | 46,000           | 46,000           | -                | 46,000         | -              | -                | -                |
| Banco de Crédito del Perú                  | PEN               | 4.890                   | 2019           | -               | -                | 400              | -                | 400              | -              | 400            | -                | -                |
| Banco Continental                          | PEN               | Between 3.970 and 4.290 | 2019           | -               | -                | 3,000            | -                | 3,000            | -              | 3,000          | -                | -                |
| Banco Bolivariano                          | USD               | Between 7.910 and 8.900 | 2020           | 6,000           | -                | -                | 7,193            | 16,050           | 7,193          | 11,826         | -                | 4,224            |
| Banco Guayaquil                            | USD               | Between 7.930 and 8.260 | 2019           | 6,000           | -                | -                | -                | 7,758            | -              | 7,758          | -                | -                |
| Banco Internacional                        | USD               | Between 8.500 and 9.120 | 2019           | 1,500           | -                | -                | -                | 11,827           | -              | 11,827         | -                | -                |
| Banco Pacifico                             | USD               | 8.030                   | 2020           | 1,000           | -                | -                | -                | 1,781            | -              | 1,145          | -                | 636              |
| Banco Pichincha                            | USD               | Between 7.950 and 8.950 | 2018           | 7,500           | -                | -                | -                | 25,343           | -              | 25,343         | -                | -                |
| Banco Pichincha                            | USD               | 8.000                   | 2020           | 4,000           | -                | -                | 13,540           | -                | 13,540         | -              | -                | -                |
| Prodbanco                                  | USD               | Between 8.230 and 9.020 | 2022           | 5,000           | -                | -                | -                | 11,441           | -              | 3,315          | -                | 8,126            |
| Prodbanco                                  | USD               | 9.020                   | 2022           | 3,069           | -                | -                | 9,627            | -                | 3,233          | -              | 6,394            | -                |
| Banco Pichincha                            | USD               | 7.950                   | 2019           | 300             | -                | -                | -                | 1,014            | -              | 1,014          | -                | -                |
| Banco Pichincha                            | USD               | 8.950                   | 2019           | 200             | -                | -                | -                | 676              | -              | 676            | -                | -                |
| Banco Pichincha                            | USD               | 8.950                   | 2019           | 300             | -                | -                | 1,016            | -                | 1,016          | -              | -                | -                |
| Banco Pichincha                            | USD               | 8.950                   | 2020           | 200             | -                | -                | 677              | -                | 677            | -              | -                | -                |
| Banco Continental                          | COP               | 6.700                   | 2020           | -               | 3,600,000        | -                | 3,520            | 3,015            | 3,520          | 3,015          | -                | -                |
|  |                   |                         |                | <b>38,569</b>   | <b>3,600,000</b> | <b>2,006,111</b> | <b>1,542,044</b> | <b>1,346,297</b> | <b>716,715</b> | <b>361,435</b> | <b>825,329</b>   | <b>984,862</b>   |
| <b>Call spread financing, Note 8</b>       |                   |                         |                |                 |                  |                  |                  |                  |                |                |                  |                  |
| Citibank N.A.                              | USD               | 6.473                   | 2023           | 21,794          | -                | -                | 51,082           | 56,532           | 16,555         | 13,156         | 34,527           | 43,376           |
| JP Morgan                                  | USD               | 10.205                  | 2028           | 23,440          | -                | -                | 74,183           | 76,567           | 5,449          | 5,170          | 68,734           | 71,397           |
|  |                   |                         |                | <b>45,234</b>   | <b>-</b>         | <b>-</b>         | <b>125,265</b>   | <b>133,099</b>   | <b>22,004</b>  | <b>18,326</b>  | <b>103,261</b>   | <b>114,773</b>   |
| <b>Other obligations (g)</b>               |                   |                         |                |                 |                  |                  |                  |                  |                |                |                  |                  |
| Hewlett Packard S.A.                       | USD               | Between 1.450 and 5.564 | 2023           | 8,064           | -                | -                | 6,967            | 9,297            | 3,409          | 5,025          | 3,558            | 4,272            |
| IBM Perú S.A.C.                            | USD               | 2.170                   | 2018           | 335             | -                | -                | -                | 37               | -              | 37             | -                | -                |
| Hewlett Packard S.A.                       | USD               | 2.930                   | 2024           | 12,084          | -                | -                | 12,430           | 15,802           | 6,973          | 7,901          | 5,457            | 7,901            |
| Hewlett Packard S.A.                       | USD               | Between 3.300 and 6.200 | 2019-2021      | 568             | -                | -                | 1,778            | 785              | 1,146          | 440            | 632              | 345              |
| Infratech                                  | USD               | 5.000                   | 2019-2021      | 66              | -                | -                | 49               | 107              | 49             | 76             | -                | 31               |
| CSI Renting                                | USD               | Between 2.720 and 5.130 | 2019-2021      | 241             | -                | -                | 716              | 508              | 274            | 221            | 442              | 287              |
|  |                   |                         |                | <b>21,358</b>   | <b>-</b>         | <b>-</b>         | <b>21,940</b>    | <b>26,536</b>    | <b>11,851</b>  | <b>13,700</b>  | <b>10,089</b>    | <b>12,836</b>    |
| <b>Total</b>                               |                   |                         |                | <b>855,369</b>  | <b>3,600,000</b> | <b>3,661,593</b> | <b>5,324,784</b> | <b>5,069,140</b> | <b>796,977</b> | <b>452,591</b> | <b>4,527,807</b> | <b>4,616,549</b> |

## Notes to the interim consolidated financial statements (continued)

- (b) In April 2018, Patrimonio en Fideicomiso D.S. 093-2002-EF InRetail Shopping Malls, Subsidiary of the Company, has 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/1,184,750,000 as of September 30, 2019 (S/1,182,650,000 as of December 31, 2018) that accrues an interest of 5.75 percent per annum, 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\$22,789,000 equivalent to approximately S/77,142,000 as of September 30, 2019 (US\$24,228,000 equivalent to approximately S/81,865,000 as of December 31, 2018).

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 6.5625 percent, maturing in 10 years and with payment semiannual interest 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/3,724,000 as of September 30, 2019 (S/3,960,000 as of December 31, 2018).

As a result of these issues, InRetail Shopping Malls must comply, until their maturity and full payment, certain obligations and covenants must be met in this type of transactions.

In the opinion of the Management, these covenants do not limit the operations of the Company and its subsidiaries have been complied satisfactorily and are within the agreed limits as of September 30, 2019 and December 31, 2018. Likewise, 100 percent of the "Senior Notes Unsecured" is guaranteed by the shares of InRetail Real Estate Corp. and Subsidiaries.

- (c) 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/1,354,000,000 as of September 30, 2019 (S/1,351,600,000 as of December 31, 2018) that accrues an interest of 5.375 percent per annum, with a maturity of 5 years and with semiannual payments of interest 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 5.778 percent, after considering the respective up-front fees that amounted to US\$5,178,000 equivalent to approximately S/17,526,000 as of September 30, 2019 (US\$6,126,000 equivalent to S/20,701,000 as of December 31, 2018). As of September 30, 2019, the balance of this loan is S/1,336,474,000 (as of December 31, 2018 S/1,330,899,000).

Also, in May 2018, the Company issued debt instruments ("Notes") denominated in Soles for S/385,800,000 that bear an annual interest rate of 6.4375 percent, maturing in 7 years and with semiannual interest payments and the principal in a single installment upon maturity of the securities. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 6.559 percent, after considering the respective up-front fees that amounted to S/2,172,000 as of September 30, 2019 (S/2,410,000 as of December 31, 2018).

## Notes to the interim consolidated financial statements (continued)

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

In the opinion of Management, these covenants do not limit the operations of the Company and its subsidiaries have been complied satisfactorily and are within the agreed limits as of September 30, 2019 and December 31, 2018. Likewise, 100 percent of the "Senior Notes Unsecured" is guaranteed by the shares of InRetail Pharma S.A. and Subsidiaries.

- (d) 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/1,503,000 as of September 30, 2019 (S/1,554,000 as of December 31, 2018). Additionally, as of September 30, 2019 and December 31, 2018, the balance is presented net of S/4,000,000 corresponding to the notes of this issuance held by InRetail Shopping Malls. As of September 30, 2019 the balance of this loan is S/135,497,000 (S/135,446,000 as of December 31, 2018).
- (e) 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 9 (e). Such obligations do not have any special conditions that must be complied (covenants), or restrictions affecting the operations of the InRetail Group.
- (f) In December 2015, InRetail Shopping Malls received a loan from Bank Scotiabank of Peru S.A.A for S/100,000,000, for a term of 4 years, payable in quarterly installments, at an annual interest rate of 6.70 percent. This loan was recorded at its amortized cost after considering the respective up-front fee of approximately S/5,000 (S/215,000 as of December 31, 2018).

As of September 30, 2019, InRetail Shopping Malls amortized the debt with Scotiabank by S/93,750,000.

- (g) Corresponds to the debt that the Subsidiaries acquired with Hewlett Packard, IBM, CSI Renting and Infratech to purchase computer equipment. Said contracts do not have any specific guarantee.
- (h) In July 2018, InRetail Pharma S.A. received a loan from Scotiabank Peru 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/935,000.

As of September 30, 2019, InRetail Pharma S.A. amortized the debt for the amount of S/28,920,000.

## Notes to the interim consolidated financial statements (continued)

- (i) 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/953,000.

As of September 30, 2019, InRetail Pharma S.A. amortized the debt for the amount of S/28,920,000.

- (j) During the nine-month-periods ended September 30, 2019 and 2018, loans and borrowings accrued interest which are recorded in the "Finance costs" caption of the consolidated income statements, see Note 19. Also, as of September 30, 2019 and December 31, 2018, there are interests payable which are recorded in the "Other payables" caption of the consolidated statements of financial position.
- (k) Some of the interest-bearing loans and borrowings include standard clauses requiring the InRetail Group to meet financial ratios, use of funds criteria and other administrative matters. In Management's opinion, as of September 30, 2019 and December 31, 2018, standard clauses do not limit the normal operation of the InRetail Group and have been fulfilled.
- (l) Financial obligations are payable as follows:

|              | <b>2019</b>      | <b>2018</b>      |
|--------------|------------------|------------------|
|              | S/ (000)         | S/ (000)         |
| 2019         | 560,717          | 452,591          |
| 2020         | 300,633          | 453,898          |
| 2021         | 244,670          | 229,534          |
| 2022         | 257,774          | 239,806          |
| 2023         | 1,524,905        | 1,506,798        |
| 2024 onwards | 2,436,085        | 2,186,513        |
| <b>Total</b> | <b>5,324,784</b> | <b>5,069,140</b> |

## Notes to the interim consolidated financial statements (continued)

### 15. Income tax

- (a) The amounts presented in the statement of financial position as of September 30, 2019 and December 31, 2018, as well as the consolidated income statements for the nine-month periods ended September 30, 2019 and 2018 are shown below:

| Statements of financial position                 | As of September 30, 2019 |                | As of December 31, 2018 |                |
|--|--------------------------|----------------|-------------------------|----------------|
|  | Assets                   | Liabilities    | Assets                  | Liabilities    |
|  | S/(000)                  | S/(000)        | S/(000)                 | S/(000)        |
| Supermercados Peruanos S.A.                      | -                        | 76,660         | -                       | 78,734         |
| Plaza Veá Oriente S.A.C.                         | 2,039                    | -              | 453                     | -              |
| Desarrolladora Strip Centers S.A.C.              | 79                       | -              | -                       | -              |
| Centro Comercial Estación Central S.A.           | 297                      | -              | 301                     | -              |
| Inversiones Real Estate S.A.                     | -                        | 631            | -                       | 631            |
| Real Plaza S.R.L.                                | 1,584                    | -              | 1,521                   | -              |
| Inmobiliaria Puerta del Sol S.A.                 | -                        | 32,576         | -                       | 30,156         |
| IR Management S.R.L.                             | 271                      | -              | 176                     | -              |
| InRetail Pharma S.A. (formerly eckerd Perú S.A.) | -                        | 1,331          | -                       | 10,508         |
| Eckerd Amazonia S.A.C.                           | 598                      | -              | 1,207                   | -              |
| Boticas del Oriente S.A.C.                       | 362                      | -              | 1,116                   | -              |
| Química Suiza S.A.C.                             | -                        | 40,583         | -                       | 43,312         |
| Cifarma S.A.C.                                   | 592                      | -              | -                       | 36             |
| Vanttive S.A.C.                                  | 110                      | -              | 249                     | -              |
| Quifatex S.A.                                    | 5,369                    | -              | 4,170                   | -              |
| Vanttive Cia Ltda.                               | 47                       | -              | 37                      | -              |
| Quimiza Ltda.                                    | 709                      | -              | 747                     | -              |
| Quideca S.A.                                     | 662                      | -              | 613                     | -              |
| Mifarma S.A.C.                                   | 18,270                   | -              | 19,069                  | -              |
| Comercializadora Mifarma Ltda.                   | 95                       | -              | 62                      | -              |
| Albis S.A.C.                                     | 22,690                   | -              | 30,132                  | -              |
| Jorsa de la Selva S.A.C.                         | 1,844                    | -              | 2,300                   | -              |
| Consolidation adjustment                         | 836                      | 305,393        | -                       | 318,239        |
| <b>Total</b>                                     | <b>56,454</b>            | <b>457,174</b> | <b>62,153</b>           | <b>481,616</b> |

| Statements of comprehensive income | Income tax for the nine-month periods ended September 30, 2019 and 2018 |                  |
|------------------------------------|---|------------------|
|                                    | 2019  | 2018             |
|                                    | S/(000)   | S/(000)          |
| Current                            | (206,631)   | (127,773)        |
| Deferred                           | 20,738  | (6,691)          |
| <b>Income tax expense</b>          | <b>(185,893)</b>  | <b>(134,464)</b> |

- (b) As of September 30, 2019 and December 31, 2018, the provision for current income tax payable, net of advanced payments amounts to approximately S/13,738,000 and S/10,665,000, respectively.

Also, as of September 30, 2019 and December 31, 2018, non-current income related special purpose entity tax of S/266,025,000 and S/226,493,000, respectively, is payable as a result of the net taxable income from the assets in the trusts, the InRetail Group's subsidiaries.



## Notes to the interim consolidated financial statements (continued)

### 16. Equity

(a) Capital stock

As of September 30, 2019 and December 31, 2018, the capital stock of InRetail Perú Corp. is represented by 102,807,319 shares with no par value, issued at US\$10.00 each, which were totally paid and issued (equivalent to S/2,138,566,000).

(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 September 30, 2019.

(c) Treasury shares

As of September 30, 2019 and December 31, 2018, the InRetail Group acquired 1,750,005 Shares issued by InRetail Perú Corp., for approximately S/134,463,000, the nominal value of said shares being S/57,636,000, with the difference of S/76,827,000 being recorded as a decrease in the capital premium.

(d) Dividends

At the General Shareholders' Meeting held on March 26, 2019, it was approved to distribute dividends in the amount of US\$35,000,000 equivalent to S/115,640,000, which corresponds to a cash dividend of US\$0.34044269 per share, which was delivered in cash in May of 2019. Of this amount S/1,969,000 corresponds to the dividends related to treasury shares maintained by the Company.

In April 2019, InRetail Pharma S.A., subsidiary of the Company, distributed dividend to de non-controlling interest for amount S/12,935,000.

During 2018, Supermercados Peruanos S.A. (subsidiary of the Company) distributed dividends of S/26,000 to minority shareholders.

### 17. Tax Situation

(a) InRetail Peru Corp. and InRetail Real Estate Corp. are incorporated in Panama, thus they are not subject to any Income Tax.

Entities and individuals not domiciled in Peru must pay an additional tax over dividends received. In this regard, attention to Legislative Decree N° 1261, the additional tax on dividend income generated is as follows:

- 4.1 percent of the profits generated until December 31, 2014
- 6.8 percent for the profits generated in the years 2015 and 2016.
- 5.0 percent of the profits generated since January 1, 2017.

(b) 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 September 30, 2019 and December 31, 2018, the income tax rate is:

## Notes to the interim consolidated financial statements (continued)

| Country  | %    |
|----------|------|
| Peru     | 29.5 |
| Ecuador  | 28.0 |
| Bolivia  | 25.0 |
| Colombia | 33.0 |

- (c) Law No. 29663, later amended by law 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 domiciliated company must be sold in 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 domiciliated company, in a period of twelve months.
- (d) For purposes of determining the Income Tax, transfer pricing of transactions with related companies and companies domiciled in territories with low or no taxation must be supported with documentation and information on assessment methods applied and criteria considered. Based on the analysis of the operations of the 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 September 30, 2019 and December 31, 2018.
- (e) 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<br>Tax              | Value added<br>tax |
|--|----------------------------|--------------------|
| Albis S.A.C.                                     | From 2015 to 2018          | From 2015 to 2018  |
| Boticas del Oriente S.A.C.                       | From 2014 to 2018          | From 2013 to 2018  |
| Botica Torres de Limatambo S.A.C                 | From 2015 to 2018          | From 2015 to 2018  |
| Cifarma S.A.C.                                   | From 2014 to 2018          | From 2015 to 2018  |
| Drogueria La Victoria S.A.C.                     | From 2014 to 2018          | From 2015 to 2018  |
| Eckerd Amazonía S.A.C.                           | From 2014 to 2018          | From 2015 to 2018  |
| Empresa comercializadora Mifarma Bolivia S.A.    | From 2010 to 2018          | From 2010 to 2018  |
| Inmobiliaria Puerta del Sol S.A.                 | From 2015 to 2018          | From 2015 to 2018  |
| InRetail Pharma S.A. (formerly Eckerd Perú S.A.) | From 2014 to 2018          | From 2015 to 2018  |
| IR Management S.R.L.                             | From 2015 to 2018          | From 2015 to 2018  |
| Inversiones Real Estate S.A.                     | From 2014 to 2018          | From 2015 to 2018  |
| Jorsa de la Selva S.A.C.                         | From 2014 to 2018          | From 2014 to 2018  |
| Quicorp S.A.                                     | From 2014 to 2018          | From 2014 to 2018  |
| Quideca S.A.                                     | From 2013 to 2018          | From 2017 to 2018  |
| Mifarma S.A.C.                                   | From 2015 to 2018          | From 2015 to 2018  |
| Quifatex S.A.                                    | From 2015 to 2018          | From 2015 to 2018  |
| Química Suiza Comercial S.A.C.                   | From 2014 to 2018          | From 2014 to 2018  |
| Química Suiza S.A.C.                             | From 2016 to 2019          | From 2014 to 2019  |
| Quimiza Ltda.                                    | From 2013 to 2018          | From 2013 to 2018  |
| Real Plaza S.R.L.                                | 2015 and from 2017 to 2018 | From 2015 to 2019  |
| Centro Comercial Estación Central S.A.           | From 2015 to 2018          | From 2015 to 2018  |
| Superfarma Mayoristas S.A.C.                     | From 2016 to 2018          | From 2016 to 2018  |
| Supermercados Peruanos S.A.                      | From 2013 to 2019          | From 2015 to 2019  |
| Plaza Veá Oriente S.A.C.                         | 2018                       | 2018               |
| Vanttive Cía Ltda.                               | From 2015 to 2018          | From 2015 to 2018  |
| Vanttive S.A.C.                                  | From 2014 to 2018          | From 2014 to 2018  |
| Farmacías Peruanas S.A.C.                        | From 2016 to 2018          | From 2016 to 2018  |

## 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 September 30, 2019 and December 31, 2018, the accrued income tax amounted to S/266,025,000 and S/226,493,000, 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 September 30, 2019 and December 31, 2018.

- (f) As of September 30, 2019 and December 31, 2018, estimated losses from previous periods for Subsidiaries for tax purposes are the following:

|                             | <b>2019</b>   | <b>2018</b>   |
|-----------------------------|---------------|---------------|
|                             | S/ (000)      | S/ (000)      |
| Albis S.A.C.                | 62,500        | 87,871        |
| Jorsa de la Selva S.A.C.    | 1,615         | 3,813         |
| Superfarma Mayorista S.A.C. | -             | 1,035         |
| Vanttive S.A.C.             | 434           | 674           |
| <b>Total</b>                | <b>64,549</b> | <b>93,393</b> |

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.

Albis S.A.C., Superfarma Mayorista S.A.C. and Vanttive S.A.C. have chosen method (i) and Jorsa de la Selva S.A.C. by method (ii).

## Notes to the interim consolidated financial statements (continued)

### 18. Operating expenses

(a) The table below presents the components of this caption for the nine-month periods ended September 30, 2019 and 2018:

|                         | 2019             | 2018             |
|-------------------------|------------------|------------------|
|                         | S/(000)          | S/(000)          |
| Cost of sales           | 6,743,807        | 6,304,916        |
| Selling expenses        | 1,751,457        | 1,626,222        |
| Administrative expenses | 343,248          | 339,807          |
| <b>Total</b>            | <b>8,838,512</b> | <b>8,270,945</b> |

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

|   | 2019             |                  |                         |                  |
|---|------------------|------------------|-------------------------|------------------|
|   | Cost of sales    | Selling expenses | Administrative expenses | Total            |
|   | S/(000)          | S/(000)          | S/(000)                 | S/(000)          |
| Initial balance of goods, Note 6 (a)                            | 1,696,905        | -                | -                       | 1,696,905        |
| Initial balance of raw material, Note 6 (a)                     | 12,129           | -                | -                       | 12,129           |
| Initial balance of miscellaneous supplies, Note 6 (a)           | 1,075            | -                | -                       | 1,075            |
| Final balance of finished goods, Note 6 (a)                     | 672              | -                | -                       | 672              |
| Purchase of goods   | 6,606,971        | -                | -                       | 6,606,971        |
| Final balance of goods, Note 6 (a)                              | (1,758,389)      | -                | -                       | (1,758,389)      |
| Final balance of raw material, Note 6 (a)                       | (13,069)         | -                | -                       | (13,069)         |
| Final balance of miscellaneous supplies, Note 6 (a)             | (1,264)          | -                | -                       | (1,264)          |
| Final balance of finished goods, Note 6 (a)                     | (105)            | -                | -                       | (105)            |
| Impairment of inventories, Note 6 (c)                           | 12,614           | -                | -                       | 12,614           |
| Factory overhead  | 17,892           | -                | -                       | 17,892           |
| Cost of services  | 155,523          | -                | -                       | 155,523          |
| Personnel expenses  | -                | 670,454          | 209,468                 | 879,922          |
| Depreciation, Note 9 (d)  | 3,188            | 150,371          | 13,669                  | 167,228          |
| Depreciation from right-of-use asset, Note 9 (d)                | 9,613            | 198,498          | 13,799                  | 221,910          |
| Amortization, Note 11 (e)                                       | 52               | 31,331           | 8,667                   | 40,050           |
| Key money amortization  | -                | 4,022            | -                       | 4,022            |
| Services provided by third parties (b)                          | -                | 322,253          | 49,842                  | 372,095          |
| Advertising   | -                | 99,378           | 45                      | 99,423           |
| Packing and packaging   | -                | 32,622           | 118                     | 32,740           |
| Rental of premises  | -                | 23,078           | 4,260                   | 27,338           |
| Taxes   | -                | 33,675           | 8,484                   | 42,159           |
| Provision for doubtful trade receivables, Note 5(g)             | -                | 6,204            | -                       | 6,204            |
| Recovery of provision for doubtful trade receivables, Note 5(g) | -                | (1,327)          | -                       | (1,327)          |
| Provision for doubtful related receivables                      | -                | 1,292            | 124                     | 1,416            |
| Provision for doubtful others receivables                       | -                | 1,336            | -                       | 1,336            |
| Recovery of provision for doubtful others receivables           | -                | (669)            | -                       | (669)            |
| Insurance   | -                | 14,763           | 1,225                   | 15,988           |
| Other charges (c)   | -                | 164,176          | 33,547                  | 197,723          |
| <b>Total</b>  | <b>6,743,807</b> | <b>1,751,457</b> | <b>343,248</b>          | <b>8,838,512</b> |

## Notes to the interim consolidated financial statements (continued)

|   | 2018             |                  |                         |                  |
|---|------------------|------------------|-------------------------|------------------|
|   | Cost of sales    | Selling expenses | Administrative expenses | Total            |
|   | S/(000)          | S/(000)          | S/(000)                 | S/(000)          |
| Initial balance of goods  | 986,830          | -                | -                       | 986,830          |
| Subsidiary acquisition  | 663,721          | -                | -                       | 663,721          |
| Purchase of goods   | 6,073,809        | -                | -                       | 6,073,809        |
| Final balance of goods  | (1,583,170)      | -                | -                       | (1,583,170)      |
| Final balance of raw material                                   | (12,176)         | -                | -                       | (12,176)         |
| Final balance of miscellaneous supplies                         | (1,044)          | -                | -                       | (1,044)          |
| Final balance of finished goods                                 | (897)            | -                | -                       | (897)            |
| Impairment of inventories, Note 6 (c)                           | 19,930           | -                | -                       | 19,930           |
| Factory overhead  | 13,889           | -                | -                       | 13,889           |
| Cost of services  | 140,723          | -                | -                       | 140,723          |
| Personnel expenses  | -                | 645,697          | 208,955                 | 854,652          |
| Depreciation, Note 9 (d)  | 3,233            | 131,493          | 15,403                  | 150,129          |
| Amortization, Note 11 (e)                                       | 68               | 11,019           | 7,820                   | 18,907           |
| Key money amortization  | -                | 4,130            | -                       | 4,130            |
| Services provided by third parties (b)                          | -                | 293,412          | 62,147                  | 355,559          |
| Advertising   | -                | 93,267           | 112                     | 93,379           |
| Packing and packaging   | -                | 33,122           | 586                     | 33,708           |
| Rental of premises  | -                | 226,829          | 12,144                  | 238,973          |
| Taxes   | -                | 29,214           | 8,180                   | 37,394           |
| Provision for doubtful trade receivables, Note 5(g)             | -                | 7,858            | -                       | 7,858            |
| Recovery of provision for doubtful trade receivables, Note 5(g) | -                | (3,508)          | -                       | (3,508)          |
| Provision for doubtful other receivables                        | -                | 1,013            | -                       | 1,013            |
| Insurance   | -                | 12,221           | 1,363                   | 13,584           |
| Other charges (c)   | -                | 140,455          | 23,097                  | 163,552          |
| <b>Total</b>  | <b>6,304,916</b> | <b>1,626,222</b> | <b>339,807</b>          | <b>8,270,945</b> |

(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.

## Notes to the interim consolidated financial statements (continued)

### 19. Finance costs

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

|  | 2019<br>S/(000) | 2018<br>S/(000) |
|--|-----------------|-----------------|
| Interest on loans, borrowings and bonds payable  | 223,755         | 205,017         |
| Accrual of the cost of structuring of financial obligations                            | 9,123           | 41,227          |
| Accrual of the cost of structuring by early settlement of "Senior Notes Unsecured" (d) | -               | 12,052          |
| Interest on lease liabilities  | 71,077          | -               |
| Premium for early settlement of bonds and cancellation of loans (c)                    | -               | 77,071          |
| Call Spread early settlement (f)   | -               | 20,542          |
| Premium accrual "Call Spread"  | 11,415          | 11,665          |
| Derivative financial instruments measure to fair value loss (e)                        | -               | 5,163           |
| Other financial costs  | 31,742          | 37,096          |
| <b>Total</b>   | <b>347,112</b>  | <b>409,833</b>  |

(b) As of September 30, 2019 and December 31, 2018, there are interest payable for these obligations for approximately S/94,969,000 and S/47,143,000, respectively, which are recorded in the "Other payables" caption of the consolidated statements of financial position.

(c) As of September 30, 2018, includes the premium corresponding to: (i) the early redemption of the "Senior Notes Unsecured" issued by InRetail Consumer in Dollars for US\$8,243,000 equivalent to S/26,798,000, (ii) the "Senior Notes Unsecured" issued in Soles by S/26,008,000, (iii) the cancellation of the Bank of Tokyo loan of US\$42,000 equivalent to S/136,000 and (iv) for the "Senior Notes Unsecured" issued by InRetail Shopping Malls in Dollars for US\$7,486,000 equivalent to S/24,129,000.

(d) As of September 30, 2018, corresponds to the accrual of the structuring costs related to the early redemption of: (i) the "Senior Notes Unsecured" issued by InRetail Consumer in Dollars for US\$3,396,000 equivalent to S/11,071,000, (ii) the "Senior Notes Unsecured" issued in Soles for S/561,000, and (iii) the cancellation of the Bank of Tokyo loan of US\$130,000 equivalent to S/420,000.

(e) In February 2018, the Company paid in full the financial obligations of InRetail Consumer covered by the Call Spreads issued by Bank of Tokyo and Deutsche Bank A.G. for US\$130,000,000, passing this instrument to be registered as trading, recognizing S/3,041,000 as financial expenses.

In April 2018, InRetail Pharma 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 May 2018. Between the contract date of the Call Spread and the date of issue of the bond, this contract was recorded as a negotiation instrument, recognized S/2,122,000 as financial expenses.

(f) In March 2018, the JP Morgan Call Spread that covered the US\$200,000,000 bond issued by InRetail Shopping Malls was liquidated in advance, generating an exit premium of S/17,109,000.

In February 2018, the Company paid in full the financial obligations of InRetail Consumer covered by the Call Spreads, Issued by Bank of Tokyo and Deutsche Bank A.G. for US\$130,000,000. In April 2018, the Call Spread was settled, generating an additional payment of S/3,433,000.

## Notes to the interim consolidated financial statements (continued)

### 20. Transactions with related parties

(a) The following table provides the total amount of transactions that have been entered into with related parties for the nine-month periods ended as of September 30, 2019 and 2018:

|                              | <b>2019</b><br>S/(000) | <b>2018</b><br>S/(000) |
|------------------------------|------------------------|------------------------|
| <b>Income</b>                |                        |                        |
| Sales                        | 4,174                  | 5,311                  |
| Rental income                | 88,671                 | 86,852                 |
| Rendering of services        | 9,182                  | 11,310                 |
| Collection of commissions    | 1,826                  | 15,180                 |
| Income from Joint Venture    | 36,947                 | 19,664                 |
| Interest income              | 1,837                  | 915                    |
| Sales of fixed assets        | -                      | 15,523                 |
| Other                        | 35,667                 | 35,387                 |
| <b>Total income</b>          | <b>178,304</b>         | <b>190,142</b>         |
| <b>Expenses</b>              |                        |                        |
| Renting of premises and land | 3,691                  | 3,120                  |
| Reimbursement of expenses    | 1,281                  | 1,397                  |
| Commissions                  | 247                    | 3,425                  |
| Interest                     | 7,797                  | 5,192                  |
| Others                       | 16,196                 | 10,371                 |
| <b>Total expenses</b>        | <b>29,212</b>          | <b>23,505</b>          |

(b) As a result of the transactions with related companies, the InRetail Group recorded the following balances as of September 30, 2019 and December 31, 2018:

|   | <b>As of September 30,</b><br><b>2019</b><br>S/(000) | <b>As of December 31,</b><br><b>2018</b><br>S/(000) |
|---|--|---|
| <b>Receivables</b>                            |  |   |
| Homecenters Peruanos S.A. (f)                 | 30,602   | 15,326  |
| Financiera Oh! S.A.                           | 8,092  | 9,421   |
| Tiendas Peruanas Oriente S.A.C. (d)           | 7,698  | 9,300   |
| Tiendas Peruanas S.A.                         | 11,707   | 7,978   |
| Intercorp Retail Inc. (g)                     | 263  | 3,639   |
| Intercorp Perú Ltd.                           | 235  | 3,480   |
| Bembos S.A.C.                                 | 1,073  | 1,491   |
| Cineplex S.A.                                 | 603  | 900   |
| Banco Internacional del Perú S.A.A.-Interbank | 1,514  | 223   |
| Inmobiliaria Milenia S.A.                     | 66   | 24  |
| Interseguro Compañía de Seguros S.A.          | 938  | -   |
| Others  | 23,425   | 20,718  |
| <b>Total</b>                                  | <b>86,216</b>  | <b>72,500</b>                                       |
| Current                                       | 55,347   | 64,260  |
| Non Current                                   | 30,869   | 8,240   |
| <b>Total</b>                                  | <b>86,216</b>  | <b>72,500</b>                                       |

## Notes to the interim consolidated financial statements (continued)

|  | S/(000)       | S/(000)       |
|--|---------------|---------------|
| <b>Payables</b>                                  |               |               |
| Homecenters Peruanos S.A. (i)                    | 41,168        | 32,752        |
| Financiera Oh! S.A. (h)                          | 28,389        | 7,430         |
| Banco Internacional del Perú S.A.A. – Interbank: |               |               |
| Credit lines and other                           | -             | 80            |
| Guarantee deposit (e)                            | 6,700         | 6,311         |
| Tiendas Peruanas S.A.                            | 419           | 34            |
| Inmobiliaria Milenia S.A.                        | 1,308         | 423           |
| Intercorp Retail Inc.                            | 22            | 22            |
| Others   | 3,858         | 2,959         |
| <b>Total</b>                                     | <b>81,864</b> | <b>50,011</b> |
| Remunerations payable to key management          | -             | -             |
| <b>Total</b>                                     | <b>81,864</b> | <b>50,011</b> |
| Current portion                                  | 34,412        | 11,093        |
| Non-current portion                              | 47,452        | 38,918        |
| <b>Total</b>                                     | <b>81,864</b> | <b>50,011</b> |

- (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 September 30, 2019 and December 31, 2018, the outstanding to receive 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 September 30, 2019, the Company collect S/4,538,000 as amortization of the loan.

- (e) Supermercados Peruanos S.A. and Banco Internacional del Perú S.A.A. – Interbank, signed a contract on future leases of financial stores for 15 years in October 2004. This contract amounts to approximately S/27,212,000 (equivalent to approximately US\$8,000,000) which was collected in advance by Supermercados Peruanos S.A. and are presented in the "Deferred revenue" caption in the consolidated statements of financial position.

Additionally, Supermercados Peruanos S.A. received from Banco Internacional del Perú S.A.A. – Interbank US\$2,000,000 as collateral for the contract. As of September 30, 2019 and December 31, 2018, Supermercados Peruanos S.A. has credited the update of the present value of this deposit in the "Financial income" caption. As of September 30, 2019 and December 31, 2018, the net present value of the balances related to guarantee deposits amounts to S/6,770,000 and S/6,311,000, respectively, and is accounted for in the "Other payables" caption.



## Notes to the interim consolidated financial statements (continued)

In relation to such contracts, during the nine-month period ended September 30, 2019 Supermercados Peruanos S.A. recognized accrued renting revenue that amounted to approximately S/750,000 equivalent to US\$232,000 (S/638,000 equivalent to approximately US\$200,000 during the nine-month periods ended September 30, 2018), which are recorded net of the renting expenses in the "Rental income" caption in the consolidated statements of income.

As of September 30, 2019 Supermercados Peruanos S.A. deferred revenue was accrued fully (as of December 31, 2018, maintained deferred revenues that amounts to approximately S/785,000 which will be recognized as income in upcoming periods).

- (f) Corresponds mainly to an account receivable from Homecenters Peruanos S.A. for an amount of S/27,799,000; This account receivable is due to the fact that Interproperties Peru 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/3,496,000, correspond to the services received from rental of land and premises, and pending contributions from the joint venture that it has with Peruvian Supermarkets, which will be collected in the fourth quarter of 2019 .

- (g) In October 2018, the Company granted a loan to its parent company Intercorp Retail Inc. of US\$1,000,000 equivalent to S/3,379,000 that accrues interest annual 4.50 percent and due in June 2019.

As of September 30, 2019, interest accrued amounts to US\$19,000 equivalent to S/67,000 (as of December 31, 2018, interest was accrued for US\$11,000 equivalent to S/37,000). In June and September 2019, the loan was paid full and presented in the consolidated financial statement of cash flow.

Likewise, the balance receivable from Intercorp Retail Inc. includes S/223,000, which corresponds 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.

Additionally, InRetail Pharma S.A. and Supermercados Peruanos S.A., granted a loan to Intercorp Retail of S/83,750,000 and S/3,500,000, respectively, these loans accrue interest annual 6.5 percent and due in June 2020. These loan were paid in full during third quarter 2019 and presented in the consolidated financial statement of cash flow

- (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 September 30, 2019 and December 31, 2018, the InRetail Group holds InRetail accounts payables to Financiera Oh! S.A for S/28,389,000 and S/7,430,000, respectively, which correspond mainly to the collection of installments to user of the Oh! Credit card S/25,795,000 and S/7,014,000 as of September 30, 2019 and December 31, 2018.
- (i) As of September 30, 2019 mainly includes contributions from the affiliate Homecenters Peruanos S.A. (hereinafter "The associate") for approximately S/40,628,000 (S/32,717,000 as of December 31, 2018), 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 project Mall "Lurín" and "Tarapoto". These agreements has a term of 60 years, for this reason is recognized as long-term liability.

## Notes to the interim consolidated financial statements (continued)

- (j) 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/101,074,000 and S/54,000 respectively, for the construction of new stores and working capital. These leasing contracts accrue annual interest rates that fluctuate between 5.30 and 6.23 percent, and whose maturities are between 2020 and 2022. These transactions are included in “Interest-bearing loans and borrowings”. During the nine-month periods ended September 30, 2019 and 2018, leasing contracts generated interests recorded in the “Financial costs” caption of the consolidated income statements.
- (k) Outstanding balances at the period-end are unsecured and interest free, except for the financial obligations explained in this one. There have been no guarantees provided or received for any related party receivables or payables. As of September 30, 2019 and December 31, 2018, 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.
- (l) The compensation of key management personnel of the InRetail Group for the nine-month periods ended September 30, 2019 and 2018, is detailed below:

|  | <b>2019</b>   | <b>2018</b>   |
|--|---------------|---------------|
|  | S/(000)       | S/(000)       |
| Short term employee benefits                 | 34,626        | 33,876        |
| Insurance and medical benefits               | 1,338         | 957           |
| Employment benefits for contract termination | 200           | 7,178         |
| <b>Total</b>                                 | <b>36,164</b> | <b>42,011</b> |

- (m) As of September 30, 2019 and December 31, 2018, the InRetail Group maintains the following balances in the cash and cash equivalent and investments at fair value through profit or loss captions:

|   | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
|   | S/(000)     | S/(000)     |
| <b>Cash and short-term deposits</b>                     |             |             |
| Banco Internacional del Peru – Interbank S.A.A.         | 290,353     | 335,904     |
| Inteligo Bank Ltd.                                      | 1,682       | 1,232       |
| <b>Investments at fair value through profit or loss</b> |             |             |
| Interfondos S.A. Sociedad Administradora de Fondos SAF  | 10,000      | 3,031       |
| Fondos Sura SAF S.A.C.                                  | 9,513       | 16,698      |

## Notes to the interim consolidated financial statements (continued)

### 21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the nine-month periods 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:

|                                      | <b>Ordinary shares</b>                                     |  |                                   |
|--------------------------------------|--|--|-----------------------------------|
|                                      | <b>Outstanding shares</b>                                  | <b>Effective days until period-end</b> | <b>Weighted average of shares</b> |
| Number as of January 1, 2018         | 102,807,319  | 270                                    | 102,807,319                       |
| Number as of September 30, 2018      | 102,807,319  |  | 102,807,319                       |
| Number as of January 1, 2019         | 102,807,319  | 270                                    | 102,807,319                       |
| Number as of September 30, 2019      | 102,807,319  |  | 102,807,319                       |
|                                      | <b>For the nine-month-periods ended September 30, 2019</b> |  |                                   |
|                                      | <b>Net income<br/>(numerator)</b>                          | <b>Shares<br/>(denominator)</b>        | <b>Earnings per<br/>share</b>     |
|                                      | S/   |  | S/                                |
| Basic and diluted earnings per share | 299,987,000  | 102,807,319                            | 2.918                             |
|                                      | <b>For the nine-month-periods ended September 30, 2018</b> |  |                                   |
|                                      | <b>Net income<br/>(numerator)</b>                          | <b>Shares<br/>(denominator)</b>        | <b>Earnings per<br/>share</b>     |
|                                      | S/   |  | S/                                |
| Basic and diluted earnings per share | 85,522,000   | 102,807,319                            | 0.832                             |

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.

## Notes to the interim consolidated financial statements (continued)

### 22. Commitments and contingencies

#### Commitments –

The main commitments assumed are presented below:

- (a) As of September 30, 2019 the Company and its Subsidiaries agreed with several financial entities on the issuance of solidary and irrevocable letters of guarantee for approximately S/107,759,000, US\$10,669,000 and b\$793,000 (S/96,031,000, US\$9,726,000 and b\$1,385,000 as of December 31, 2018), respectively, to comply with the payment of goods purchased to foreign suppliers and commit with the fulfillment of the contracts.

#### Contingencies –

- (a) 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. 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 September 30, 2019 and December 31, 2018.
- (b) InRetail Pharma S.A. maintains certain labor claims for approximately S/2,322,000, mainly related to compensation for arbitrary dismissal, non-payment of social benefits, and reinstatements in the work place, among others. In Management's opinion and its legal advisors, these must be resolved favorably for InRetail Pharma S.A.; consequently, it is not necessary to record additional liabilities for these items.
- (c) Mifarma S.A.C. (formerly Farmacias Peruanas S.A.C.)

- The Peruvian tax Administration (SUNAT) has some objections related to the tax base for income tax and value added tax for the year 2001 in the amount of S/15,835,000. Mifarma S.A.C. (formerly Farmacias Peruanas S.A.C.) has filed a judicial claim before the Tax Court to annul the objection.

In Management's opinion and its legal advisors, such provision is sufficient to cover the observations and it has the necessary arguments to refute the observations in order for the claim proceedings to be resolved in favor of the Company.

- In 2006, Peruvian Tax Authority made an assessment related to the income tax base for year 2003 for S/1,296,000. In relation to this amount, the Company filed a claim. In Management's opinion and its legal advisors, such provision is sufficient to cover the observations and has the necessary arguments to refute the observations in order for the claim proceedings to be resolved in favor of the Company.
- In 2011, the Peruvian Tax Authority made some objections related to the base of the income tax for the year 2009 in the amount of S/2,004,000, which results in the reversal of the tax loss that the company had determined for the year.

Likewise, a fine and interest were determined for the fact of filing information that causes an omitted tax and/or an unduly increased loss.

The Company filed a claim an amount of S/2,004,000, as well as the fine plus respective default interest.

On May 18, 2012, the Peruvian tax Authority declared that the partial claim filed by the Company was groundless. On June 8, 2012, the Company filed an appeal on these facts.

## Notes to the interim consolidated financial statements (continued)

- (d) 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 2010. 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 September 30, 2019 and December 31, 2018.

### 23. Business segments

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

- The supermarkets segment operates supermarkets and hypermarkets 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 Manufacturing, Distribution and Marketing segment of drugs, medicines and consumer products.
- Shopping center segment leases commercial stores in shopping centers owned by the InRetail Group.

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.

As of September 30, 2019 and December 31, 2018 and for the nine-month periods ended September 30, 2019 and 2018, InRetail Peru Corp. is mainly organized into four business lines; see Note 2. Transactions between segments are carried out under normal commercial terms and conditions.

## Notes to the interim consolidated financial statements (continued)

As of September 30, 2019 and December 31, 2018 and for the nine-month periods ended September 30, 2019 and 2018, InRetail Peru Corp. is organized into four 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 nine-month periods ended September 30, 2019 and 2018

|   | Supermarkets<br>S/(000) | Pharmacies<br>S/(000) | Manufacturing<br>Distribution and<br>Marketing<br>S/(000) | Shopping Center<br>S/(000) | Total segments<br>S/(000) | Holding accounts,<br>consolidation<br>adjustments and<br>intercompany<br>eliminations<br>S/(000) | Consolidated<br>S/(000) |
|---|-------------------------|-----------------------|---|----------------------------|---------------------------|--|-------------------------|
| <b>For the nine-month period ended September 30, 2019</b> |                         |                       |   |                            |                           |  |                         |
| <b>Revenue</b>  |                         |                       |   |                            |                           |  |                         |
| External income   | 4,181,134               | 3,759,077             | 1,327,054   | 349,281                    | 9,616,546                 | 9,123  | 9,625,669               |
| Inter-segment   | 8,413                   | 282                   | 504,985   | 39,690                     | 553,370                   | (553,370)  | -                       |
| <b>Total revenue</b>                                      | <b>4,189,547</b>        | <b>3,759,359</b>      | <b>1,832,039</b>  | <b>388,971</b>             | <b>10,169,916</b>         | <b>(544,247)</b>   | <b>9,625,669</b>        |
| Cost of sales   | (3,073,035)             | (1,967,738)           | (1,574,587)   | (126,240)                  | (6,741,600)               | (2,207)  | (6,743,807)             |
| Inter-segment   | (24,700)                | (473,460)             | -   | -                          | (498,160)                 | 498,160  | -                       |
| <b>Gross profit</b>                                       | <b>1,091,812</b>        | <b>1,318,161</b>      | <b>257,452</b>  | <b>262,731</b>             | <b>2,930,156</b>          | <b>(48,294)</b>  | <b>2,881,862</b>        |
| Join venture income                                       | 36,947                  | -                     | -   | -                          | 36,947                    | -  | 36,947                  |
| Gain on valuation at fair value of investment properties  | 7,786                   | -                     | -   | 19,106                     | 26,892                    | (3,993)  | 22,899                  |
| Selling expenses  | (819,857)               | (788,551)             | (155,157)   | (6,330)                    | (1,769,895)               | 18,438   | (1,751,457)             |
| Administrative expenses                                   | (124,799)               | (135,602)             | (53,931)  | (22,949)                   | (337,281)                 | (5,967)  | (343,248)               |
| Other operating (expenses) income, net                    | (7,855)                 | 186                   | 1,546   | 136                        | (5,987)                   | 2,071  | (3,916)                 |
| <b>Operating profit</b>                                   | <b>184,034</b>          | <b>394,194</b>        | <b>49,910</b>   | <b>252,694</b>             | <b>880,832</b>            | <b>(37,745)</b>  | <b>843,087</b>          |
| Exchange difference, net                                  | (556)                   | 463                   | 373   | (738)                      | (458)                     | (200)  | (658)                   |
| Finance income  | 2,088                   | 119,959               | 52,366  | 23,880                     | 198,293                   | (181,894)  | 16,399                  |
| Finance costs   | (106,603)               | (150,019)             | (16,459)  | (108,224)                  | (381,305)                 | 34,193   | (347,112)               |
| <b>Profit before income tax</b>                           | <b>78,963</b>           | <b>364,597</b>        | <b>86,190</b>   | <b>167,612</b>             | <b>697,362</b>            | <b>(185,646)</b>   | <b>511,716</b>          |
| Income tax expense  | (35,794)                | (97,695)              | (12,448)  | (50,250)                   | (196,187)                 | 10,294   | (185,893)               |
| <b>Profit for the year</b>                                | <b>43,169</b>           | <b>266,902</b>        | <b>73,742</b>   | <b>117,362</b>             | <b>501,175</b>            | <b>(175,352)</b>   | <b>325,823</b>          |
| <b>Attributable to:</b>                                   |                         |                       |   |                            |                           |  |                         |
| Owners of the parent                                      | 43,169                  | 266,902               | 73,742  | 117,362                    | 501,175                   | (201,188)  | 299,987                 |
| Non-controlling interests                                 | -                       | -                     | -   | -                          | -                         | 25,836   | 25,836                  |
| <b>Profit for the year</b>                                | <b>43,169</b>           | <b>266,902</b>        | <b>73,742</b>   | <b>117,362</b>             | <b>501,175</b>            | <b>(175,352)</b>   | <b>325,823</b>          |

Notes to the interim consolidated financial statements (continued)

|   | Supermarkets<br>S/(000) | Pharmacies<br>S/(000) | Manufacturing<br>Distribution and<br>Marketing<br>S/(000) | Shopping center<br>S/(000) | Total segments<br>S/(000) | Holding accounts,<br>consolidation<br>adjustments and<br>intercompany<br>eliminations<br>S/(000) | Consolidated<br>S/(000) |
|---|-------------------------|-----------------------|---|----------------------------|---------------------------|--|-------------------------|
| <b>For the nine-month period ended September 30, 2018</b> |                         |                       |   |                            |                           |  |                         |
| <b>Revenue</b>  |                         |                       |   |                            |                           |  |                         |
| External income   | 3,674,089               | 3,489,625             | 1,400,779   | 327,461                    | 8,891,954                 | 4,472  | 8,896,426               |
| Inter-segment   | 11,414                  | 2,390                 | 476,287   | 39,526                     | 529,617                   | (529,617)  | -                       |
| <b>Total revenue</b>                                      | <b>3,685,503</b>        | <b>3,492,015</b>      | <b>1,877,066</b>  | <b>366,987</b>             | <b>9,421,571</b>          | <b>(525,145)</b>   | <b>8,896,426</b>        |
| Cost of sales   | (2,723,661)             | (1,936,343)           | (1,523,510)   | (120,039)                  | (6,303,553)               | (1,363)  | (6,304,916)             |
| Inter-segment   | (4,369)                 | (407,099)             | (42,163)  | -                          | (453,631)                 | 453,631  | -                       |
| <b>Gross profit</b>                                       | <b>957,473</b>          | <b>1,148,573</b>      | <b>311,393</b>  | <b>246,948</b>             | <b>2,664,387</b>          | <b>(72,877)</b>  | <b>2,591,510</b>        |
| Join venture income                                       | 19,664                  | -                     | -   | -                          | 19,664                    | -  | 19,664                  |
| Gain on valuation at fair value of investment properties  | (69)                    | -                     | -   | 11,563                     | 11,494                    | (1,885)  | 9,609                   |
| Selling expenses  | (736,704)               | (756,958)             | (179,959)   | (6,546)                    | (1,680,167)               | 53,945   | (1,626,222)             |
| Administrative expenses                                   | (101,109)               | (131,284)             | (73,725)  | (23,099)                   | (329,217)                 | (10,590)   | (339,807)               |
| Other operating (expenses) income, net                    | (9,980)                 | (9,189)               | (21,183)  | 5,414                      | (34,938)                  | 32,284   | (2,654)                 |
| <b>Operating profit</b>                                   | <b>129,275</b>          | <b>251,142</b>        | <b>36,526</b>   | <b>234,280</b>             | <b>651,223</b>            | <b>877</b>   | <b>652,100</b>          |
| Exchange difference, net                                  | (2,022)                 | (31,666)              | 21  | (2,351)                    | (36,018)                  | 677  | (35,341)                |
| Finance income  | 2,705                   | 36,444                | 3,087   | 17,946                     | 60,182                    | (38,072)   | 22,110                  |
| Finance costs   | (53,803)                | (135,063)             | (16,334)  | (139,597)                  | (344,797)                 | (65,036)   | (409,833)               |
| <b>Profit before income tax</b>                           | <b>76,155</b>           | <b>120,857</b>        | <b>23,300</b>   | <b>110,278</b>             | <b>330,590</b>            | <b>(101,554)</b>   | <b>229,036</b>          |
| Income tax expense  | (37,819)                | (45,447)              | (18,167)  | (33,461)                   | (134,894)                 | 430  | (134,464)               |
| <b>Profit for the year</b>                                | <b>38,336</b>           | <b>75,410</b>         | <b>5,133</b>  | <b>76,817</b>              | <b>195,696</b>            | <b>(101,124)</b>   | <b>94,572</b>           |
| <b>Attributable to:</b>                                   |                         |                       |   |                            |                           |  |                         |
| Owners of the parent                                      | 38,336                  | 75,410                | 5,133   | 76,817                     | 195,696                   | (110,174)  | 85,522                  |
| Non-controlling interests                                 | -                       | -                     | -   | -                          | -                         | 9,050  | 9,050                   |
| <b>Profit for the year</b>                                | <b>38,336</b>           | <b>75,410</b>         | <b>5,133</b>  | <b>76,817</b>              | <b>195,696</b>            | <b>(101,124)</b>   | <b>94,572</b>           |

## 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 September 30, 2019 and December 31, 2018, the operations of all the Company's Subsidiaries are mainly carried out in Perú, with income and assets from abroad not being significant at those dates.

### **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 or settlement value.

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.



## Notes to the interim consolidated financial statements (continued)

### 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 nine-month periods ended September 30, 2019 and 2018. 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 September 30, 2019, the weighted average exchange rates in the market for transactions in US Dollars were S/3.382 per US\$1.00 bid and S/3.385 per US\$1.00 ask (S/3.369 and S/3.379 per US\$1.00 for bid and ask as of December 31, 2018).

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by authorized entities of the country in which Company and its subsidiaries operate. As of September 30, 2019 and December 31, 2018, the weighted average exchange rate at the market for transactions of the different currency in relation to the Sol are as following:

| <u>Exchange rate per soles</u> | <u>2019</u> | <u>2018</u> |
|--------------------------------|-------------|-------------|
| U. S. Dollars (US\$)           | 0.295       | 0.296       |
| Bolivian Peso (b\$)            | 2.056       | 2.060       |
| Colombian Peso (\$)            | 1,022.750   | 961.749     |

## Notes to the interim consolidated financial statements (continued)

As of September 30, 2019 and December 31, 2018, the InRetail Group held the following foreign currency assets and liabilities:

|  | As of September 30, 2019 |                 |                    | As of December 31, 2018 |                 |                     |
|--|--------------------------|-----------------|--------------------|-------------------------|-----------------|---------------------|
|  | US\$(000)                | b\$(000)        | \$(000)            | US\$(000)               | b\$(000)        | \$(000)             |
| <b>Assets</b>                                    |                          |                 |                    |                         |                 |                     |
| Cash and short-term deposits                     | 31,831                   | 7,047           | 1,148,939          | 15,564                  | 10,186          | 2,279,790           |
| Investments at fair value through profit or loss | 2,810                    | -               | -                  | 620                     | -               | -                   |
| Investments at fair value through equity         | -                        | -               | -                  | 2,479                   | -               | -                   |
| Trade receivables, net                           | 48,123                   | 39,714          | 8,658,868          | 55,445                  | 37,453          | 9,941,230           |
| Other accounts receivables, net                  | 6,472                    | 5,324           | 126,425            | 8,045                   | 5,968           | 286,353             |
| Accounts receivable from related parties         | 2,337                    | -               | -                  | 3,671                   | 1,280           | -                   |
| <b>Total assets</b>                              | <b>91,572</b>            | <b>52,085</b>   | <b>9,934,232</b>   | <b>85,824</b>           | <b>54,887</b>   | <b>12,507,373</b>   |
| <b>Liabilities</b>                               |                          |                 |                    |                         |                 |                     |
| Trade payables                                   | (93,642)                 | (29,440)        | (5,154,982)        | (94,897)                | (24,929)        | (6,024,207)         |
| Other payables                                   | (30,979)                 | (10,035)        | (1,178,440)        | (24,096)                | (12,097)        | (1,881,564)         |
| Accounts payable to related parties              | (2,339)                  | -               | -                  | (2,808)                 | (1,281)         | -                   |
| Lease liability                                  | (281,602)                | (5,052)         | -                  | -                       | -               | -                   |
| Interest - bearing loans and borrowings          | (778,583)                | -               | (3,600,000)        | (789,399)               | -               | (2,900,000)         |
| <b>Total Liabilities</b>                         | <b>(1,187,145)</b>       | <b>(44,527)</b> | <b>(9,933,422)</b> | <b>(911,200)</b>        | <b>(38,307)</b> | <b>(10,805,771)</b> |
| Call Spread                                      | 750,000                  | -               | -                  | 750,000                 | -               | -                   |
| <b>Net (liability) asset position</b>            | <b>(345,572)</b>         | <b>7,558</b>    | <b>810</b>         | <b>(75,376)</b>         | <b>16,580</b>   | <b>1,701,602</b>    |

(a) As of September 30, 2019, InRetail Pharma S.A. and InRetail Shopping Malls, Subsidiaries of the Company, reduced its exchange rate risk with two hedging operations through Call Spreads written over its "Senior Notes Unsecured", which were considered effective hedging instruments. The Call Spreads were written over a nominal amount of US\$400,000,000 and US\$350,000,000, respectively, and were effective until the cancelation of the "Senior Notes Unsecured". See further detail in Note 8.

These instruments covers 100 percent of the exposure in foreign currency of the principal of the issue and protects exchange rate variations between S/3.26 and S/3.75 per US\$1.00. The premium price was financed in installments equal to that of the issue.

### 26. Subsequent event

At the General Shareholders' Meeting on October 1, 2019, of InRetail Pharma S.A. approved the distribution of dividends for S/38,500,000.

### 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.