

**InRetail Perú Corp. and Subsidiaries**

Interim consolidated financial statements as of September 30, 2020 (unaudited) and December 31, 2019 (audited) and for the nine-month period ended September 30, 2020 and 2019

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## InRetail Perú Corp. and Subsidiaries

### Interim consolidated statements of financial position

As of September 30, 2020 (unaudited) and December 31, 2019 (audited)

	Note	2020	2019		Note	2020	2019
		S/(000)	S/(000)			S/(000)	S/(000)
<b>Assets</b>				<b>Liabilities and equity</b>			
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and cash equivalents	4	515,360	740,166	Trade payables	11	3,016,310	2,946,832
Investments at fair value through profit or loss		245,568	22,015	Other payables		537,501	470,386
Trade receivables, net	5	630,851	580,994	Accounts payable to related parties	19(b)	26,056	36,891
Other receivables, net		89,485	83,833	Current income tax	14(b)	47,509	21,282
Accounts receivables from related parties	19(b)	69,799	50,283	Interest-bearing loans and borrowings	13	483,687	386,266
Inventories, net	6	2,065,182	1,835,047	Deferred revenue		8,055	10,990
Prepayments		28,316	14,831	Lease liability	12(c)	247,654	306,145
Taxes recoverable		137,186	101,483	<b>Total current liabilities</b>		<b>4,366,772</b>	<b>4,178,792</b>
<b>Total current assets</b>		<b>3,781,747</b>	<b>3,428,652</b>				
				<b>Non-current liabilities</b>			
<b>Non-current assets</b>				Trade payables	11	5,822	16,258
Other receivables, net		49,204	44,937	Accounts payable to related parties	19(b)	40,267	40,260
Accounts receivables from related parties	19(b)	27,516	30,252	Other payables		1,978	1,424
Taxes recoverable		21,246	17,308	Interest-bearing loans and borrowings	13	5,133,123	4,863,605
Derivative financial instruments	7	208,296	130,913	Income tax related to Special Purpose Entities	14(b)	327,013	318,848
Property, furniture and equipment, net	8	3,569,218	3,602,925	Deferred revenue		33,732	35,696
Investment properties	9	3,932,730	3,879,572	Deferred income tax liabilities, net	14(a)	417,448	465,588
Right-of-use assets, net	12(b)	1,293,593	1,402,882	Reserves for employee retirement pension funds		22,861	19,865
Intangible assets, net	10	1,146,047	1,174,699	Lease liability	12(c)	1,147,547	1,096,135
Goodwill	10	1,982,106	1,982,106	<b>Total non-current liabilities</b>		<b>7,129,791</b>	<b>6,857,679</b>
Deferred income tax assets, net	14(a)	91,462	51,932	<b>Total liabilities</b>		<b>11,496,563</b>	<b>11,036,471</b>
Other assets		7,211	7,208				
<b>Total non-current assets</b>		<b>12,328,629</b>	<b>12,324,734</b>	<b>Equity</b>			
<b>Total assets</b>		<b>16,110,376</b>	<b>15,753,386</b>	Capital stock	15(a)	2,138,566	2,138,566
				Treasury shares	15(c)	(57,636)	(57,636)
				Capital premium	15(b)	472,967	472,967
				Unrealized results on derivative financial instruments		(121,469)	(13,076)
				Unrealized results from foreign currency translation		1,232	(208)
				Unrealized results from actuarial reserve for retirement		415	415
				Retained earnings		2,081,593	2,076,035
				<b>Equity attributable to owners of the parent</b>		<b>4,515,668</b>	<b>4,617,063</b>
				Non-controlling interest		98,145	99,852
				<b>Total equity</b>		<b>4,613,813</b>	<b>4,716,915</b>
				<b>Total liabilities and equity</b>		<b>16,110,376</b>	<b>15,753,386</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 period ended September 30, 2020 and 2019

	Note	Third quarter			
		2020	2019	2020	2019
		S/(000)	S/(000)	S/(000)	S/(000)
<b>Revenue from ordinary activities</b>					
Net sales of goods		9,994,428	9,048,388	3,536,608	3,018,479
Rental income		232,762	334,324	82,916	116,687
Rendering of services		248,080	242,957	81,687	85,359
<b>Revenue</b>		<b>10,475,270</b>	<b>9,625,669</b>	<b>3,701,211</b>	<b>3,220,525</b>
Cost of sales	17(a)	(7,477,390)	(6,743,807)	(2,632,422)	(2,239,817)
<b>Gross profit</b>		<b>2,997,880</b>	<b>2,881,862</b>	<b>1,068,789</b>	<b>980,708</b>
(Loss) gain from joint venture	19(a)	(2,195)	36,947	-	13,001
(Loss) gain on valuation at fair value of investment properties	9(b)	(30,509)	22,899	1,493	12,433
Selling expenses	17(a)	(1,807,148)	(1,751,457)	(612,112)	(578,361)
Administrative expenses	17(a)	(350,556)	(343,248)	(125,080)	(122,050)
Other operating income (expenses), net		2,046	(3,916)	(3,149)	(528)
<b>Operating profit</b>		<b>809,518</b>	<b>843,087</b>	<b>329,941</b>	<b>305,203</b>
Financial income		7,819	16,399	1,336	5,803
Financial expenses	18(a)	(342,300)	(347,112)	(116,682)	(115,541)
Exchange difference, net		(101,885)	(658)	(24,447)	(28,112)
<b>Profit before income tax</b>		<b>373,152</b>	<b>511,716</b>	<b>190,148</b>	<b>167,353</b>
Income tax expense	14(a)	(147,767)	(185,893)	(68,524)	(60,054)
<b>Net profit</b>		<b>225,385</b>	<b>325,823</b>	<b>121,624</b>	<b>107,299</b>
<b>Attributable to:</b>					
InRetail Perú Corp. shareholders		200,085	299,987	110,711	98,462
Non-controlling interest		25,300	25,836	10,913	8,837
<b>Net profit</b>		<b>225,385</b>	<b>325,823</b>	<b>121,624</b>	<b>107,299</b>
<b>Earnings per share:</b>					
Basic and diluted profit for the period attributable to ordinary equity holders of the parent	20	2.192	3.169	1.183	1.044

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 period ended September 30, 2020 and 2019

	2020 S/(000)	2019 S/(000)	Third quarter	
			2020 S/(000)	2019 S/(000)
<b>Profit for the period</b>	225,385	325,823	121,624	107,299
<b>Other comprehensive income</b>				
Unrealized gain on investments at fair value through equity	-	260	-	(177)
Income tax related to Special Purpose Entities	-	(413)	-	(353)
<b>Total other comprehensive income on investments at fair value through equity</b>	<b>-</b>	<b>(153)</b>	<b>-</b>	<b>(530)</b>
Unrealized (loss) gain on hedging derivative financial instrument	(121,178)	8,480	(31,853)	(57,241)
Income tax related to Special Purpose Entities	(9,291)	(2,507)	(471)	(2,093)
Income tax	16,849	283	4,249	9,460
<b>Total other comprehensive income on hedging derivative financial instruments</b>	<b>(113,620)</b>	<b>6,256</b>	<b>(28,075)</b>	<b>(49,874)</b>
Unrealized results from foreign currency translation	1,655	69	307	499
<b>Total other comprehensive income from foreign currency translation</b>	<b>1,655</b>	<b>69</b>	<b>307</b>	<b>499</b>
<b>Other comprehensive income for the period, net of income tax effects</b>	<b>(111,965)</b>	<b>6,172</b>	<b>(27,768)</b>	<b>(49,905)</b>
<b>Total comprehensive income for the period</b>	<b>113,420</b>	<b>331,995</b>	<b>93,856</b>	<b>57,394</b>
<b>Attributable to:</b>				
InRetail Perú Corp. shareholders	93,132	306,238	84,222	51,445
Non-controlling interest	20,288	25,757	9,634	5,949
<b>Total comprehensive income for the period</b>	<b>113,420</b>	<b>331,995</b>	<b>93,856</b>	<b>57,394</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 period ended September 30, 2020 and 2019

	Capital stock	Treasury shares	Capital premium	Unrealized results from derivative financial instruments	Unrealized results from investment to fair value through equity	Unrealized results from foreign currency translation	Unrealized results from actuarial reserve for retirement	Retained earnings	Total	Non-controlling interest	Total equity
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Balance as of January 1, 2019</b>	2,138,566	(57,636)	472,967	(40,028)	153	5	-	1,626,564	4,140,591	77,643	4,218,234
First adoption IFRS 16 effect	-	-	-	-	-	-	-	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>-</b>	<b>1,631,290</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>-</b>	<b>-</b>	<b>-</b>	<b>6,344</b>	<b>(153)</b>	<b>60</b>	<b>-</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>-</b>	<b>65</b>	<b>-</b>	<b>1,817,606</b>	<b>4,337,884</b>	<b>91,168</b>	<b>4,429,052</b>
<b>Balance as of January 1, 2020</b>	<b>2,138,566</b>	<b>(57,636)</b>	<b>472,967</b>	<b>(13,076)</b>	<b>-</b>	<b>(208)</b>	<b>415</b>	<b>2,076,035</b>	<b>4,617,063</b>	<b>99,852</b>	<b>4,716,915</b>
Profit for the period	-	-	-	-	-	-	-	200,085	200,085	25,300	225,385
Other comprehensive income	-	-	-	(108,393)	-	1,440	-	-	(106,953)	(5,012)	(111,965)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(108,393)</b>	<b>-</b>	<b>1,440</b>	<b>-</b>	<b>200,085</b>	<b>93,132</b>	<b>20,288</b>	<b>113,420</b>
Dividends	-	-	-	-	-	-	-	(197,896)	(197,896)	(21,995)	(219,891)
Dividends treasury shares	-	-	-	-	-	-	-	3,369	3,369	-	3,369
<b>Balance as of September 30, 2020</b>	<b>2,138,566</b>	<b>(57,636)</b>	<b>472,967</b>	<b>(121,469)</b>	<b>-</b>	<b>1,232</b>	<b>415</b>	<b>2,081,593</b>	<b>4,515,668</b>	<b>98,145</b>	<b>4,613,813</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 period ended September 30, 2020 and 2019

	2020	2019
	S/(000)	S/(000)
<b>Operating activities</b>		
Revenue	10,383,891	9,756,736
Recovery of taxes	28,970	52,332
Payments of goods and services to suppliers	(8,311,670)	(7,788,548)
Payments of salaries and social benefits to employees	(937,809)	(878,267)
Taxes paid	(295,572)	(213,546)
Other payments, net	(34,265)	(17,766)
<b>Net cash flows from operating activities</b>	<b>833,545</b>	<b>910,941</b>
<b>Investing activities</b>		
Sale of property, furniture and equipment	1,067	929
Loans collected from related parties	-	124,028
Sale of investments at fair value through profit or loss	437,251	87,117
Sale of investments at fair value through equity	-	37,812
Purchase of investments at fair value through profit or loss	(658,548)	(90,102)
Purchase of investment properties, net of acquisitions through leasing contracts	(64,246)	(118,315)
Purchase of property, furniture and equipment, net of acquisitions through leasing contracts	(122,404)	(339,869)
Value added tax payment related to investment properties	(10,283)	(20,701)
Purchase of investments at fair value through equity	-	(29,724)
Loans granted to related parties	-	(117,250)
Purchase and development of intangible assets	(26,775)	(14,243)
<b>Net cash flows used in investing activities</b>	<b>(443,938)</b>	<b>(480,318)</b>
<b>Financing activities</b>		
Proceeds from interest-bearing loans and borrowings, net of up-front fees	1,495,752	617,243
Repayment of interest-bearing loans and borrowings	(1,391,639)	(488,391)
Payment of dividends	(216,522)	(126,606)
Interest paid	(227,934)	(226,157)
Interest payment of lease liability	(69,516)	(71,077)
Payment of lease liability	(204,554)	(185,760)
<b>Net cash flows used in financing activities</b>	<b>(614,413)</b>	<b>(480,748)</b>
Net decrease of cash and short-term deposits	(224,806)	(50,125)
<b>Cash and short-term deposits at the beginning of the period</b>	<b>740,166</b>	<b>642,838</b>
<b>Cash and short-term deposits at the end of the period</b>	<b>515,360</b>	<b>592,713</b>
<b>Non-cash transactions</b>		
Fixed assets purchased through leasing and other financial and non financial obligations	18,553	7,561
Investment properties purchased through leasing and other financial obligations	19,468	104,622
Initial record of right-of-use asset	-	1,465,110
Addition of the period of right-of-use asset	128,738	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, 2020 and December 31, 2019 and for the nine-month period ended September 30, 2020 and 2019

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

##### 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, 2020 the percentages of ownership are:

<b>Owner</b>	<b>Ownership %</b>
InterCorp Retail Inc.	58.04
Inteligo Bank	9.42
InterCorp Perú Ltd.	3.26
InterCorp Financial Services	2.33
Others	26.95
<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. to InRetail Consumer.

The accompanying interim consolidated financial statements as of September 30, 2020 and December 31, 2019 and for the nine-month period ended September 30, 2020 and 2019, have been prepared to comply with the legal requirements on the presentation of financial information in force in Peru for shareholders and for the Superintendencia del Mercados de Valores and were approved by the Board of Directors on November 12, 2020.



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

### b) Quicorp Group acquisition and reorganization

In January 2018, the Company acquired 100 percent of Quicorp S.A. and its Subsidiaries (hereinafter Quicorp Group), see note 2. The amount paid for Quicorp shares was approximately US\$591,351,000 equivalent to S/1,898,255,000.

The acquisition of the Quicorp Group was accounted for in accordance with IFRS 3 "Business combination" applying the accounting method of purchase and incorporating the assets, liabilities acquired, including intangible assets not registered by the acquired companies, were recorded at fair value from January 26, 2018.

### c) Pandemic

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

In order to reduce the impact on the Peruvian economy, the Peruvian Government granted a subsidy of 35 percent of monthly salaries up to S/1,500 and, only for labor contracts that do not set a term or end after March 15, 2020. The subsidy was paid to the Company's Subsidiaries in April for an amount of approximately S/6,294,000.

The Company and its Subsidiaries mainly operate in the supermarkets, pharmacies and shopping centers businesses; the Company's Management and its subsidiaries consider that the pandemic will only have a significant impact in the shopping centers segment of the consolidated financial statements.

From March 16 to June 21, 2020, the shopping centers were partially closed; only the stores related to essential services such as: supermarkets, pharmacies and banks remained open. For this reason, during this period the Company and its Subsidiaries granted discounts to their tenants for income and other related services. On June 22, the opening of non essential retail was authorized by Government. In this context, Malls will have to comply with the restriction ruled by the Government operating at 50 percent of maximum visitor capacity. These effects are included in the consolidated financial statements.

## 2. Subsidiaries economic 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, 2020 and December 31, 2019 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. 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, 2020 and December 31, 2019, the Company operates in Peru, Colombia, Ecuador and Bolivia. InRetail Pharma S.A. holds 100 percent of: (i) Eckerd Amazonía S.A.C., (ii) Boticas del Oriente S.A.C., (iii) Droguería InRetail Pharma S.A.C., (iv) Farmacias Peruanas S.A.C. and (v) Quicorp S.A. See Note 1 b). The legal address of the Company, where the administrative offices are located, its administrative offices is Defensores del Morro Av. N° 1277, Chorrillos, Lima, Peru.

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

- (ii) Supermercados Peruanos S.A., is dedicated to retail. As of September 30, 2020 and December 31, 2019, has a chain of stores operating under the “Plaza Veá”, “Plaza Veá Super”, “Plaza Veá Express”, “Vivanda”, “Mass” 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., (ii) Plaza Veá Sur S.A.C., and (iii) Plaza Veá Oriente S.A.C. The legal address of the Company, where the administrative offices are located, is Morelli street N° 181, San Borja, Lima, Peru.

At the General Shareholders' Meeting held on February 11, 2020, the merger of the subsidiaries Supermercados Peruanos S.A. and Plaza Veá Sur S.A.C. was approved, with the latter being absorbed.

- (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, 2020 and December 31, 2019, 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, 2020 and 21 as of December 31, 2019) 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, 2020 and December 31, 2019, the Company holds 100 percent of Centro Comercial Estación Central S.A. and Inversiones Real Estate S.A. The legal address of the Company, where the administrative offices are located, is Punta del Este avenue N° 2403, second floor, Jesus María, Lima, Peru.

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

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

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

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

- (a) Interim financial statements

The consolidated financial statements of the InRetail Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB), effective as of September 30, 2020 and December 31, 2019, 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.

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

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instruments and investments at 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 exchange rates for the corresponding year;
- Equity accounts shall be translated at the exchange rates at the date of the transactions; and
- All resulting exchange differences shall be recognized in other comprehensive income as profit or loss on translation.

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

### (b) Basis of consolidation

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

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

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

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

The accounting policies followed in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements as of December 31, 2019.

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

### (c) New accounting standards

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Companies annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of the new standards and interpretations as of January 1, 2020.

The InRetail Group adopted the following standards and interpretations that have been issued by the IASB, and which were effective as of January 1, 2020:

#### (i) Amendments to IFRS 3 "Business combinations": Definition of a business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 "Business Combinations" to help Companies determine if a set of acquired activities and assets is a business or not. The modifications clarify the minimum requirements of a business, eliminate the assessment of whether market participants are capable of replacing missing items, include guidance to help entities assess whether an acquired process is substantive, limit the definitions of a business and products, and introduce an optional proof of fair value concentration. New illustrative examples were provided together with these modifications.

Since the changes are applied prospectively to transactions or other events that occur during or after the date of the first adoption, the InRetail Group will not be affected by these changes to the transition date.

#### (ii) Modifications to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors": Material Definition

In October 2018, the IASB issued amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors" to align the definition of "material" in those standards and clarify certain aspects of the definition. The new definition states that: "Information is material if by omitting it, distorting it or hiding it could be expected to influence the decisions that the main users make about the general purpose financial statements."

Modifications to the definition of material are not expected to have a significant impact on the consolidated financial statements of the InRetail Group.

#### (iii) Modifications to IFRS 9, IAS 39 and IFRS 7 "Reference interest rate", effective for annual periods beginning on January 1, 2020.

#### (iv) Modifications to the Conceptual Framework for financial information, effective for annual periods beginning on January 1, 2020.

In the Management's opinion, these standards will not have a significant impact on the consolidated financial statements of the InRetail Group.

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

### 4. Cash and cash equivalents

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

	As of September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Cash (b)	34,044	73,629
Current accounts (c)	330,217	616,920
Time deposits (d)	107,723	18,278
Remittances in transit	43,376	31,339
<b>Total</b>	<b>515,360</b>	<b>740,166</b>

- (b) As of September 30, 2020 and December 31, 2019, 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 0.02 and 8.50 percent in Soles, between 3.89 and 4.37 percent in Bolivianos and 2.00 percent in US Dollars as of September 30, 2020 (between 0.01 and 4.37 percent in Soles and 1.30 percent in US Dollars as of December 31, 2019).

### 5. Trade receivables, net

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

	As of September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Invoices (c)	617,740	557,257
Retail sales (e)	44,970	39,921
Provision for accrued revenue (f)	10,644	20,620
Rent receivable (d)	22,238	16,638
Others	11,103	5,525
<b>Total</b>	<b>706,695</b>	<b>639,961</b>
Provision for doubtful accounts (g)	(75,844)	(58,967)
<b>Total</b>	<b>630,851</b>	<b>580,994</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, 2020 and December 31, 2019, 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-month period ended September 30, 2020 and 2019, were as follows:

	<b>2020</b>	<b>2019</b>
	S/(000)	S/(000)
<b>Balance at the beginning of the year</b>	<b>58,967</b>	<b>64,596</b>
Provision recognized as expense, Note 17 (a)	19,156	6,204
Recoveries, Note 17 (a)	(3,381)	(1,327)
Write-offs	(515)	(11,713)
Exchange rate	-	24
Foreign currency translation	1,617	14
Others	-	(85)
<b>Balance as of September 30</b>	<b>75,844</b>	<b>57,713</b>
<b>Balance as of December 31, 2019</b>		<b>58,967</b>

As of September 30, 2020 and December 31, 2019, the amount of trade receivables past due but non-impaired amounted to approximately S/165,086,000 and S/90,570,000, 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, 2020 and December 31, 2019, 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:

	As of September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Goods, Note 17 (a)	1,968,108	1,773,215
Goods in transit (b)	94,038	55,732
Raw material, Note 17 (a)	19,679	15,204
Miscellaneous supplies	12,904	5,045
Miscellaneous supplies for manufacture, Note 17 (a)	546	1,008
Finished goods, Note 17 (a)	4	189
<b>Total</b>	<b>2,095,279</b>	<b>1,850,393</b>
<b>Minus</b>		
Provision for impairment of inventories (c)	(30,097)	(15,346)
<b>Total</b>	<b>2,065,182</b>	<b>1,835,047</b>

- (b) Corresponds 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 period ended September 30, 2020 and 2019, was as follows:

	2020 S/(000)	2019 S/(000)
<b>Balance at the beginning of the year</b>	<b>15,346</b>	<b>12,603</b>
Provision of the period, Note 17 (a)	20,333	12,614
Write-offs	(5,831)	(4,281)
Foreign currency translation	249	3
<b>Balance as of September 30</b>	<b>30,097</b>	<b>20,939</b>
<b>Balance as of December 31, 2019</b>		<b>15,346</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. Derivative financial instruments

As of September 30, 2020 and December 31, 2019, 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 value	Due	Pay fix at	Book value of the hedged item	Fair value 2020	Fair value 2019
	US\$(000)		%	S/(000)	S/(000)	S/(000)
J.P. Morgan (a)	350,000	April 2028	1.05	1,259,650	98,375	67,405
Citibank N.A. (a)	400,000	May 2023	2.38	1,439,600	109,921	63,508
<b>Total</b>					<b>208,296</b>	<b>130,913</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. From the date of issuance of the "Senior Notes Unsecured" for the purposes of IFRS 9, it was classified as an effective hedging instrument, See Note 13(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. From the date of issuance of the "Senior Notes Unsecured" for the purposes of IFRS 9, it was classified as an effective hedging instrument, See Note 13(c).

As of September 30, 2020 and December 31, 2019, these instruments cover 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)

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

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

	Land	Buildings infrastructure and facilities	Miscellaneous and equipment	Vehicles	Furniture and fixture	Works in progress	As of September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Cost</b>								
<b>Initial balance</b>	<b>969,377</b>	<b>2,336,785</b>	<b>1,276,511</b>	<b>4,132</b>	<b>207,788</b>	<b>313,809</b>	<b>5,108,402</b>	<b>4,821,876</b>
Additions (b)	807	41,048	64,230	203	7,708	26,961	140,957	444,255
Disposals and/or sales (c)	(12)	(7,552)	(30,332)	(183)	(1,725)	(674)	(40,478)	(112,986)
Transfer to intangible assets, Note 10 (a)	-	-	-	-	-	(384)	(384)	(654)
Transfer	-	96,862	2,008	-	1,461	(100,331)	-	-
Transfer from (to) investment properties, Note 9(b)	47	-	-	-	-	-	47	(43,083)
Foreign currency translation	-	329	3,696	(7)	837	12	4,867	(1,006)
<b>Final balance</b>	<b>970,219</b>	<b>2,467,472</b>	<b>1,316,113</b>	<b>4,145</b>	<b>216,069</b>	<b>239,393</b>	<b>5,213,411</b>	<b>5,108,402</b>
<b>Accumulated depreciation</b>								
<b>Initial balance</b>	-	<b>597,508</b>	<b>787,055</b>	<b>2,469</b>	<b>118,445</b>	-	<b>1,505,477</b>	<b>1,385,909</b>
Additions (d)	-	68,191	87,785	377	14,639	-	170,992	225,868
Disposals and/or sales (c)	-	(5,403)	(28,725)	(176)	(1,591)	-	(35,895)	(105,339)
Transfer to investment properties, Note 9(b)	-	-	-	-	-	-	-	(45)
Foreign currency translation	-	258	2,674	(7)	694	-	3,619	(916)
<b>Final balance</b>	-	<b>660,554</b>	<b>848,789</b>	<b>2,663</b>	<b>132,187</b>	-	<b>1,644,193</b>	<b>1,505,477</b>
<b>Net book value</b>	<b>970,219</b>	<b>1,806,918</b>	<b>467,324</b>	<b>1,482</b>	<b>83,882</b>	<b>239,393</b>	<b>3,569,218</b>	<b>3,602,925</b>

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

- (b) Additions for the nine-month period ended September 30, 2020 and December 31, 2019 correspond mainly to the construction and equipment of new premises for Supermercados Peruanos S.A. and the InRetail Pharma Group.
- (c) Mainly correspond to assets sold and to the disposal of unusable assets as a result of the process of change of format in some premises and 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 period ended September 30, 2020 and 2019, was recorded as follows in the income statement:

	2020 S/(000)	2019 S/(000)
Cost of sales, Note 17 (a)	4,614	3,188
Sales expenses, Note 17 (a)	152,918	150,371
Administrative expenses, Note 17 (a)	13,460	13,669
<b>Balance as of September 30</b>	<b>170,992</b>	<b>167,228</b>
<b>Balance as of December 31, 2019</b>		<b>225,868</b>

- (e) As of September 30, 2020 and December 31, 2019, Supermercados Peruanos S.A. has mortgaged land, buildings and facilities for a net book value of S/1,002,873,000 (S/702,010,000 as of December 31, 2019), as collateral of the financial obligations and the leasing contracts (see Note 13).
- (f) As of September 30, 2020 and December 31, 2019, the cost and corresponding accumulated depreciation of assets acquired through finance leases amounted to approximately S/649,075,000 and S/279,320,000, respectively (S/678,465,000 and S/280,022,000, respectively, as of December 31, 2019).
- (g) The InRetail Group maintains insurance policies on their main assets in accordance with the policies established by Management.

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

### 9. Investment properties

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

	As of September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Real Plaza Puruchuco Shopping Mall	614,421	593,831
Real Plaza Salaverry Shopping Mall (i)	444,429	448,027
Real Plaza Chiclayo Shopping Mall	271,178	266,578
Real Plaza Cusco Shopping Mall (i)	279,909	256,541
Real Plaza Primavera Shopping Mall	238,417	239,885
Real Plaza Piura Shopping Mall	234,356	235,634
Real Plaza Trujillo Shopping Mall	215,897	217,479
Real Plaza Centro Civico Shopping Mall (i)	204,794	202,885
Real Plaza Huancayo Shopping Mall (i)	135,963	142,119
Real Plaza Pucallpa Shopping Mall	113,529	114,465
Real Plaza Huánuco Shopping Mall (i)	102,661	103,705
Real Plaza Cajamarca Shopping Mall	89,479	90,447
Real Plaza Santa Clara - Altamirano Shopping Mall	84,370	84,477
Real Plaza Villa Maria del Triunfo Shopping Mall (La Curva) (i)	82,904	82,791
Real Plaza Juliaca Shopping Mall (i)	73,195	75,025
Real Plaza Pro Shopping Mall	66,092	67,004
Real Plaza Chorrillos Shopping Mall	65,945	66,164
Real Plaza Arequipa Shopping Mall (i)	55,267	56,447
Plaza Center Lurin Shopping Mall	51,725	50,450
Real Plaza Nuevo Chimbote Shopping Mall	39,202	39,018
Plaza Center Ilo Shopping Mall	38,659	38,288
Real Plaza Sullana Shopping Mall	31,750	31,522
Plaza Center Villa El Salvador Shopping Mall	28,284	27,927
Plaza Center Moquegua Shopping Mall	30,187	29,560
Plaza Center Tumbes Shopping Mall	20,871	19,987
Plaza Center Tarapoto Shopping Mall	19,133	19,432
Plaza Center Tacna Shopping Mall	19,067	18,870
Jr. de la Unión stores	13,374	13,343
Others (ii)	267,672	247,671
<b>Total</b>	<b>3,932,730</b>	<b>3,879,572</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.

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

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

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

- (b) The movement of this account for the nine-month period ended September 30, 2020 and 2019 was as follows:

	2020	2019
	S/(000)	S/(000)
<b>Balance at the beginning of the year</b>	<b>3,879,572</b>	<b>3,299,018</b>
Additions	83,714	222,937
Fair value adjustment	(30,509)	22,899
Transfer (to) from property, furniture and equipment; Note 8 (a)	(47)	40,246
<b>Balance as of September 30</b>	<b>3,932,730</b>	<b>3,585,100</b>
<b>Balance as of December 31, 2019</b>		<b>3,879,572</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.

### 10. Intangible assets, net

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

	As of September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)
<b>Cost</b>		
<b>Initial balance</b>	<b>1,408,682</b>	<b>1,388,533</b>
Additions (c)	26,775	22,637
Disposal and/or sales	(608)	(3,049)
Transfer from property, plant and equipment, Note 8(a)	384	654
Foreign currency translation	315	(93)
<b>Final balance</b>	<b>1,435,548</b>	<b>1,408,682</b>
<b>Accumulated amortization</b>		
<b>Initial balance</b>	<b>233,983</b>	<b>182,336</b>
Additions (e)	55,843	53,686
Disposals and/or sales	(608)	(1,977)
Foreign currency translation	283	(62)
<b>Final balance</b>	<b>289,501</b>	<b>233,983</b>
<b>Goodwill</b>		
<b>Initial balance (d)</b>	<b>1,982,106</b>	<b>1,982,106</b>
Additions	-	-
<b>Final balance</b>	<b>1,982,106</b>	<b>1,982,106</b>
<b>Net, book value</b>	<b>3,128,153</b>	<b>3,156,805</b>

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

- (b) As of September 30, 2020 and December 31, 2019, 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 carry out the impairment test for goodwill and intangible assets with indefinite useful lives based on value-in-use calculations using a discounted cash flow model.

- (c) As of September 30, 2020 and December 31, 2019, additions mainly correspond to: (i) disbursements for the acquisition of a commercial software program, a general planning system (ERP) and related licenses; (ii) disbursements for implementation of softwares and licenses in new stores of InRetail Group and (iii) recognition of trademarks and other intangibles from the acquisition of the Quicorp Group, see Note 1 (b).
- (d) As of December 31, 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).

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

- (e) Amortization expense for the nine-month period ended September 30, 2020 and 2019 has been recorded in the following items of the combined statements:

	2020 S/(000)	2019 S/(000)
Cost of sales, Note 17 (a)	315	52
Sales expenses, Note 17 (a)	44,798	31,331
Administrative expenses, Note 17 (a)	10,730	8,667
<b>Balance as of September 30</b>	<b>55,843</b>	<b>40,050</b>
<b>Balance as of December 31, 2019</b>		<b>53,686</b>

### 11. Trade payables

The table below presents the composition of this caption:

	As of September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
Bills payable from purchase of goods	2,683,340	2,549,796
Bills payable from commercial services	237,467	322,827
Provision for services and maintenance	101,325	90,467
<b>Total</b>	<b>3,022,132</b>	<b>2,963,090</b>
Current	3,016,310	2,946,832
Non-current	5,822	16,258
<b>Total</b>	<b>3,022,132</b>	<b>2,963,090</b>

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

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

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

### 12. Leases

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

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

The InRetail Group has also entered into certain leases of premises with terms of 12 months or less and leases of low-value office equipment. The InRetail Group applies the short-term and low-value lease exemptions for this kind of leases.

- b) The movement of this caption for the nine-month period ended as of September 30, 2020 and December 31, 2019, is as follows:

	Land	Buildings infrastructure and facilities	Vehicles	As of September 30, 2020	As of December 31, 2019
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Cost</b>					
<b>Initial balance</b>	<b>153,443</b>	<b>1,552,759</b>	<b>1,947</b>	<b>1,708,149</b>	-
First adoption of IFRS 16	-	-	-	-	1,576,859
Additions	930	126,137	1,671	128,738	146,435
Disposals and/or sales	-	(18,521)	(354)	(18,875)	(14,709)
Foreign currency translation	-	2,039	106	2,145	(436)
<b>Final balance</b>	<b>154,373</b>	<b>1,662,414</b>	<b>3,370</b>	<b>1,820,157</b>	<b>1,708,149</b>
<b>Accumulated depreciation</b>					
<b>Initial balance</b>	<b>7,463</b>	<b>297,252</b>	<b>552</b>	<b>305,267</b>	-
Additions, Note 17 (a)	5,543	223,181	677	229,401	306,862
Disposals and/or sales	-	(8,929)	(194)	(9,123)	(1,570)
Foreign currency translation	-	976	43	1,019	(25)
<b>Final balance</b>	<b>13,006</b>	<b>512,480</b>	<b>1,078</b>	<b>526,564</b>	<b>305,267</b>
<b>Net book value</b>	<b>141,367</b>	<b>1,149,934</b>	<b>2,292</b>	<b>1,293,593</b>	<b>1,402,882</b>

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

Depreciation expense for the nine-month period ended September 30, 2020 and 2019, was recorded as follows in the income statement:

	2020 S/(000)	2019 S/(000)
Cost of sales, Note 17 (a)	9,200	9,613
Sales expenses, Note 17 (a)	215,644	202,520
Administrative expenses, Note 17 (a)	4,557	13,799
<b>Balance as of September 30</b>	<b>229,401</b>	<b>225,932</b>
<b>As of December 31, 2019</b>		<b>306,862</b>

- c) The movement of the lease liability caption, as of September 30, 2020 and December 31, 2019, is as follows:

	As of September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
<b>Initial balance</b>	<b>1,402,281</b>	-
First adoption of IFRS 16	-	1,540,878
Additions	128,738	146,435
Increase for accrued interest, Note 18	69,516	97,076
Amortization	(273,428)	(349,838)
Disbursements made at the start of the contract	(223)	-
Disposals	(9,699)	(13,061)
Disbursements before IFRS 16 adoption	(642)	-
Exchange rate	77,443	(18,825)
Foreign currency translation	1,215	(385)
<b>Final balance</b>	<b>1,395,201</b>	<b>1,402,280</b>
Current	247,654	306,145
Non-current	1,147,547	1,096,135
<b>Total</b>	<b>1,395,201</b>	<b>1,402,280</b>

Additionally, in the nine-month period ended as of September 30, 2020 and 2019, interest related to the lease liability of S/69,516,000 and S/71,077,000, has been accrued, respectively.

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

### 13. Interest-bearing loans and borrowings

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

Type of obligation	Original currency	Interest rate %	Final maturity	Original amount				Total		Current		Non-current	
				US\$ (000)	B\$ (000)	\$ (000)	S/(000)	2020	2019	2020	2019	2020	2019
								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	-	-	-	1,185,000	1,087,035	-	-	1,185,000	1,087,035
Senior Notes Unsecured (b)	PEN	6.563	2028	-	-	-	313,500	310,113	309,859	-	-	310,113	309,859
Senior Notes Unsecured (d)	PEN	7.875	2034	-	-	-	141,000	135,569	135,514	-	-	135,569	135,514
Senior Notes Unsecured (c)	PEN	6.438	2025	-	-	-	385,800	383,957	383,707	-	-	383,957	383,707
Senior Notes Unsecured (c)	USD	5.375	2023	400,000	-	-	-	1,425,730	1,310,706	-	-	1,425,730	1,310,706
				<b>750,000</b>	<b>-</b>	<b>-</b>	<b>840,300</b>	<b>3,440,369</b>	<b>3,226,821</b>	<b>-</b>	<b>-</b>	<b>3,440,369</b>	<b>3,226,821</b>
<b>Leasings</b>													
<b>Related entities</b>													
Banco Internacional del Perú-Interbank	PEN	4.980	2024	-	-	-	101,963	101,196	100,955	-	-	101,196	100,955
Banco Internacional del Perú-Interbank	USD	4.530	2022	50	-	-	-	67	197	30	142	37	55
<b>Non related entities</b>													
Banco de Crédito del Perú	PEN	Between 6.659 and 6.600	2021	-	-	-	8,039	666	3,715	666	3,399	-	316
Banco Scotiabank (j)	PEN	5.510	2025	-	-	-	380,000	375,071	239,970	-	-	375,071	239,970
Banco Scotiabank	PEN	6.750	2020	-	-	-	24,831	-	3,064	-	3,064	-	-
Banco Santander del Perú	PEN	Between 6.920 and 7.650	2022	-	-	-	1,419	736	1,011	373	367	363	644
Banco de Crédito del Perú	PEN	5.500	2021	-	-	-	399	-	240	-	134	-	106
Banco de Crédito del Perú	PEN	7.560	2020	-	-	-	111	7	36	7	36	-	-
Banco Continental	PEN	4.950	2021	-	-	-	129	30	71	30	44	-	27
Banco Santander del Perú	PEN	8.550	2020	-	-	-	195	-	33	-	33	-	-
				<b>50</b>	<b>-</b>	<b>-</b>	<b>517,086</b>	<b>477,773</b>	<b>349,292</b>	<b>1,106</b>	<b>7,219</b>	<b>476,667</b>	<b>342,073</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)	B\$ (000)	\$ (000)	S/(000)	2020	2019	2020	2019	2020	2019
				S/(000)	S/(000)	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	4.980	2024	-	-	-	198,037	196,850	196,632	-	-	196,850	196,632
Banco Internacional del Perú-Interbank (i)	PEN	4.700	2025	-	-	-	161,950	109,106	126,333	22,970	22,970	86,136	103,363
<b>Non related entities</b>													
Banco de Crédito del Perú	PEN	Between 3.150 and 5.650	2024	-	-	-	150,000	-	124,250	-	24,850	-	99,400
Banco Scotiabank	PEN	Between 4.870 and 5.500	2026	-	-	-	925,100	784,995	769,630	251,822	152,422	533,173	617,208
Banco Citibank	PEN	2.600	2020	-	-	-	40,000	-	26,000	-	26,000	-	-
Banco Continental	PEN	5.650	2025	-	-	-	120,000	119,056	-	-	-	119,056	-
Banco Scotiabank (h)	PEN	4.700	2025	-	-	-	161,950	109,123	126,353	22,973	22,973	86,150	103,380
Banco Scotiabank (f)	PEN	5.250	2027	-	-	-	50,000	49,646	49,589	4,934	4,932	44,712	44,657
Banco de Crédito del Perú	USD	2.840	2020	5,999	-	-	-	-	19,902	-	19,902	-	-
Banco de Crédito del Perú	PEN	2.100	2020	-	-	-	35,000	35,000	-	35,000	-	-	-
Banco Scotiabank	PEN	2.070	2021	-	-	-	17,500	17,500	-	17,500	-	-	-
Banco de Crédito del Perú (k)	PEN	1.480	2023	-	-	-	10,000	10,000	-	1,645	-	8,355	-
Banco Nacional de Bolivia S.A.	BOB	3.730	2021	-	1,180	-	-	612	-	459	-	153	-
Banco Citibank	PEN	2.300	2020	-	-	-	30,000	30,000	-	30,000	-	-	-
Banco Continental	PEN	3.100	2020	-	-	-	15,000	-	15,000	-	15,000	-	-
Banco de Crédito del Perú	PEN	1.070	2021	-	-	-	8,000	8,000	-	8,000	-	-	-
Banco Scotiabank	PEN	Between 1.180 and 2.300	2020	-	-	-	43,000	43,000	-	43,000	-	-	-
Banco Scotiabank	PEN	Between 2.800 and 3.000	2020	-	-	-	46,000	-	46,000	-	46,000	-	-
Banco de Crédito del Perú (l)	PEN	0.950	2023	-	-	-	10,000	10,000	-	1,652	-	8,348	-
Banco Citibank	USD	5.000	2022	10,000	-	-	-	29,990	33,170	4,999	11,056	24,991	22,114
Banco Pichincha	USD	8.950	2020	300	-	-	-	1,080	995	1,080	995	-	-
Banco Pichincha	USD	8.950	2020	200	-	-	-	-	664	-	664	-	-
Banco Continental	COP	6.100	2021	-	-	89,968	-	83	-	-	-	83	-
Banco Continental	COP	6.700	2023	-	-	2,900,000	-	2,690	2,935	672	-	2,018	2,935
				<b>16,499</b>	<b>1,180</b>	<b>2,989,968</b>	<b>2,021,537</b>	<b>1,556,731</b>	<b>1,537,453</b>	<b>446,706</b>	<b>347,764</b>	<b>1,110,025</b>	<b>1,189,689</b>
<b>Call Spread financing, Note 7</b>													
Citibank N.A.	USD	6.473	2023	18,297	-	-	-	42,005	44,491	18,777	13,731	23,228	30,760
JP Morgan	USD	10.205	2028	23,440	-	-	-	70,017	70,086	3,353	5,634	66,664	64,452
				<b>41,737</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>112,022</b>	<b>114,577</b>	<b>22,130</b>	<b>19,365</b>	<b>89,892</b>	<b>95,212</b>
<b>Other obligations (g)</b>													
Hewlett Packard S.A.	USD	Between 1.450 and 5.564	2024	5,478	-	-	-	11,767	7,697	4,846	3,434	6,921	4,263
Hewlett Packard S.A.	USD	2.930	2021	7,434	-	-	-	12,287	11,168	6,014	6,837	6,273	4,331
Hewlett Packard S.A.	USD	Between 2.180 and 6.200	2020-2023	2,840	-	-	-	5,391	2,176	2,603	1,330	2,788	846
Infratech	USD	5.000	2020	66	-	-	-	-	37	-	37	-	-
CSI Renting	USD	Between 4.530 and 9.500	2020-2022	301	-	-	-	470	650	282	280	188	370
				<b>16,119</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,915</b>	<b>21,728</b>	<b>13,745</b>	<b>11,918</b>	<b>16,170</b>	<b>9,810</b>
<b>Total</b>				<b>824,405</b>	<b>1,180</b>	<b>2,989,968</b>	<b>3,378,923</b>	<b>5,616,810</b>	<b>5,249,871</b>	<b>483,687</b>	<b>386,266</b>	<b>5,133,123</b>	<b>4,863,605</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, 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/1,259,650,000 as of September 30, 2020 (S/1,160,950,000 as of December 31, 2019) that accrues an interest of 5.75 percent per annual, with a maturity of 10 years, with semi-annual interest payments and the principal in a single installment upon maturity of the securities. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 6.752 percent, after considering the respective up-front fees that amounted to US\$20,742,000 equivalent to approximately S/74,650,000 as of September 30, 2020 (US\$22,283,000 equivalent to approximately S/73,915,000 as of December 31, 2019).

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 semiannual interest payments and the principal in a single installment at the expiration of the securities. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 6.730 percent, after considering the respective up-front fees that amounted to S/3,387,000 as of September 30, 2020 (S/3,641,000 as of December 31, 2019).

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, and they have been complied satisfactorily within the agreed limits as of September 30, 2020 and December 31, 2019. 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/1,439,600,000 as of September 30, 2020 (S/1,326,800,000 as of December 31, 2019) that accrues an interest of 5.375 percent per annual, with a maturity of 5 years and with semiannual payments of interest and the principal in a single installment upon maturity of the securities. 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\$3,854,000 equivalent to approximately S/13,870,000 as of September 30, 2020 (US\$4,852,000 equivalent to S/16,094,000 as of December 31, 2019). As of September 30, 2020, the balance of this loan is S/1,425,730,000 (as of December 31, 2019 S/1,310,706,000).

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/1,844,000 as of September 30, 2020 (S/2,093,000 as of December 31, 2019).

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

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

In the opinion of Management, these covenants do not limit the operations of the Company and its subsidiaries, and they have been complied satisfactorily within the agreed limits as of September 30, 2020 and December 31, 2019. 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/1,431,000 as of September 30, 2020 (S/1,486,000 as of December 31, 2019). Additionally, as of September 30, 2020 and December 31, 2019, 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, 2020 the balance of this loan is S/135,569,000 (S/135,514,000 as of December 31, 2019).
- (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 8 (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 October 2019, the Company acquired a new loan agreement with Scotiabank Perú S.A.A. of S/50,000,000. In February 2020, the term of the debt was restructured for a period of seven years, payable in quarterly installments and accrued interest of 5.25 percent annual.

This obligation was recorded in the consolidated financial statements at amortized cost with an effective annual interest rate of 5.442 percent after considering the respective initial charge of approximately S/354,000 as of September 30, 2020 (S/411,000 as of December 31, 2019).

- (g) Corresponds to the debt that the Subsidiaries acquired with Hewlett Packard, 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 S.A.A. of S/161,950,000 that accrues a nominal annual interest of 4.70 percent, due in April 2025, payable in quarterly installments. Said loan is recorded at amortized cost at an effective rate of 4.775 percent, after considering the initial charges of S/771,000 as of September 30, 2020 (S/893,000 as of December 31, 2019).

As of September 30, 2020, InRetail Pharma S.A. amortized the debt for the amount of S/52,056,000 (S/34,704,000 as of December 31, 2019).

- (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/788,000 as of September 30, 2020 (S/913,000 as of December 31, 2019).

As of September 30, 2020, InRetail Pharma S.A. amortized the debt for the amount of S/52,056,000 (S/34,704,000 as of December 31, 2019).

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

- (j) As of September 30, 2020, it was completed the disbursement a financial lease mainly for the construction of the Puruchuco shopping center with Banco Scotiabank del Perú S.A.A. for a total amount of S/380,000,000 (S/244,432,000 as of December 31, 2019) which will be paid in quarterly installments that accrue an interest of 5.510 percent annually and with maturity in 2025.

This obligation was recorded in the consolidated financial statements at amortized cost with an effective interest rate of 5.903 percent after considering the respective initial charge of approximately S/4,929,000 as of September 30, 2020 (S/4,462,000 as of December 31, 2019).

- (k) In May 2020, Real Plaza S.R.L. obtained a new loan under the “Reactiva Perú” program with Banco de Crédito del Perú for the amount of S/10,000,000 that accrues a nominal annual interest of 1.48 percent maturing in 2023 including a grace period (non-capitalizable interest in the first year).
- (l) In May 2020, Quimica Suiza S.A.C. obtained a loan from the “Reactiva Perú” program with Banco de Crédito del Perú for the amount of S/10,000,000 that accrues a nominal annual interest of 0.95 percent due in 2023 including a grace period (non-capitalizable interest in the first year).
- (m) During the nine-month periods ended September 30, 2020 and 2019, loans and borrowings accrued interests which are recorded in the “Financial costs” caption of the consolidated income statements, see Note 18. Also, as of September 30, 2020 and December 31, 2019, there are interest payable which are recorded in the “Other payables” caption of the consolidated statements of financial position.
- (n) Some of the interest-bearing loans and borrowings include standard clauses requiring the InRetail Group to meet financial ratios and other administrative matters. In Management’s opinion, as of September 30, 2020 and December 31, 2019, these standard clauses do not limit the normal operation of the InRetail Group and have been fulfilled.
- (o) Financial obligations are payable as follows:

	<b>2020</b>	<b>2019</b>
	S/ (000)	S/ (000)
2020	284,472	386,266
2021	259,564	195,951
2022	237,165	189,959
2023	1,636,224	1,479,875
2024	607,758	709,351
2025 onwards	2,591,627	2,288,469
<b>Total</b>	<b>5,616,810</b>	<b>5,249,871</b>

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

### 14. Income tax

- (a) The amounts presented in the statement of financial position as of September 30, 2020 and December 31, 2019, as well as the consolidated income statements for the nine-month period ended September 30, 2020 and 2019 are shown below:

Statements of financial position	As of September 30, 2020		As of December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
	S/(000)	S/(000)	S/(000)	S/(000)
Supermercados Peruanos S.A.	-	64,149	-	80,108
Plaza Vea Oriente S.A.C.	4,361	-	2,379	-
Centro Comercial Estación Central S.A.	436	-	325	-
Inversiones Real Estate S.A.	-	632	-	631
Real Plaza S.R.L.	3,041	-	2,342	-
Inmobiliaria Puerta del Sol S.A.	-	34,174	-	42,801
IR Management S.R.L.	89	-	-	140
InRetail Pharma S.A.	27,287	-	-	5,143
Eckerd Amazonia S.A.C.	835	-	510	-
Boticas del Oriente S.A.C.	645	-	490	-
Química Suiza S.A.C.	-	47,015	-	39,108
Cifarma S.A.C.	1,433	-	715	-
Vanttive S.A.C.	85	-	28	-
Droguería InRetail Pharma S.A.C.	678	-	-	-
Quicorp S.A.	956	-	248	-
Quifatex S.A.	5,971	-	5,400	-
Vanttive Cía Ltda.	112	-	73	-
Farmacías Peruanas S.A.C.	668	-	-	-
Quimiza Ltda.	922	-	702	-
Química Suiza Colombia S.A.A. (formerly Quideca S.A.)	691	-	761	-
Mifarma S.A.C.	26,036	-	15,823	-
Mifarma S.A. (formerly Comercializadora Mifarma S.A.)	80	-	85	-
Albis S.A.C.	16,018	-	19,699	-
Jorsa de la Selva S.A.C.	1,393	-	1,760	-
Consolidation adjustment	(275)	271,478	592	297,657
<b>Total</b>	<b>91,462</b>	<b>417,448</b>	<b>51,932</b>	<b>465,588</b>

Statements of comprehensive income	Income tax for the nine-month period ended September 30, 2020 and 2019	
	2020	2019
	S/(000)	S/(000)
Current	(216,979)	(206,631)
Deferred	69,212	20,738
<b>Income tax expense</b>	<b>(147,767)</b>	<b>(185,893)</b>

- (b) As of September 30, 2020 and December 31, 2019, the provision for current income tax payable, net of advanced payments, amounts to approximately S/47,509,000 and S/21,282,000, respectively.

Also, as of September 30, 2020 and December 31, 2019, non-current income related to special purpose entity tax of S/327,013,000 and S/318,848,000, 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)

### 15. Equity

#### (a) Capital stock

As of September 30, 2020 and December 31, 2019, the capital stock of InRetail Perú Corp. is represented by 102,807,319 common shares with no par value, issued at US\$10.00 each, which were totally paid and issued (equivalent to S/2,138,566,000). These shares have no restriction on the distribution of dividends or repayment of capital.

As of September 30, 2020 and December 31, 2019, the shares of InRetail Peru Corp. do not guarantee obligations contracted with third parties by the Company or any of its related parties.

#### (b) Capital premium

It corresponds to the difference between the nominal value of shares issued and their offering value. The international offering of new shares, mentioned in paragraph (a) above, was made at a price of US\$20 per share, being the issuance value of shares US\$ 10.00 per share, and recording a capital premium which is presented net of expenses related to the issuance (professional services of legal advisors, investment bankers, transaction commissions, among others) for approximately S/472,967,000 as of September 30, 2020 and December 31, 2019.

#### (c) Treasury shares

As of September 30, 2020 and December 31, 2019, the InRetail Group acquired 1,750,005 Shares issued by InRetail Perú Corp., the nominal value of said shares being S/57,636,000.

#### (d) Dividends

At the General Shareholders' Meeting held on April 7, 2020, it was approved to distribute dividends in the amount of US\$58,000,000 equivalent to S/197,896,000, which corresponds to a cash dividend of US\$0.56416217 per share, it was delivered in May 2020. Of this amount, S/3,369,000 corresponds to the dividends related to treasury shares maintained by the Company.

In February, April and August 2020, InRetail Pharma S.A., subsidiary of the Company, distributed dividends to the non-controlling interest for an amount of S/21,995,000.

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

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.

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

### 16. 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, 2020 and December 31, 2019, the income tax rate is:

Country	%
Peru	29.5
Ecuador	28.0
Bolivia	25.0
Colombia	33.0

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

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

- (i) In first place, 10 percent or more of shares of the non domiciled company must be sold 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 domiciled 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, 2020 and December 31, 2019.

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

- (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:

	<b>Income Tax</b>	<b>Value added tax</b>
Albis S.A.C.	From 2016 to 2019	From 2016 to 2020
Boticas del Oriente S.A.C.	From 2015 to 2019	From 2015 to 2020
Botica Torres de Limatambo S.A.C.	From 2015 to 2018	From 2016 to 2018
Cifarma S.A.C.	From 2015 to 2019	From 2015 to 2020
Droguería La Victoria S.A.C.	From 2015 to 2018	From 2015 to 2018
Eckerd Amazonía S.A.C.	From 2015 to 2019	From 2015 to 2020
Empresa comercializadora Mifarma Bolivia S.A.	From 2010 to 2019	From 2010 to 2020
Inmobiliaria Puerta del Sol S.A.	From 2015 to 2019	From 2016 to 2020
InRetail Pharma S.A.	From 2015 to 2019	From 2015 to 2020
IR Management S.R.L.	From 2015 to 2019	From 2016 to 2020
Inversiones Real Estate S.A.	From 2015 to 2019	From 2016 to 2020
Jorsa de la Selva S.A.C.	From 2015 to 2019	From 2015 to 2020
Patrimonio Fideicomiso Mercantil de acciones Quifatex S.A.	From 2015 to 2018	From 2015 to 2018
Quicorp S.A.	From 2015 to 2019	From 2015 to 2020
Química Suiza Colombia S.A.S. (formerly Quideca S.A.)	From 2013 to 2019	From 2013 to 2020
Mifarma S.A.C.	From 2015 to 2019	From 2015 to 2020
Quifatex S.A.	From 2016 to 2019	From 2016 to 2020
Química Suiza Comercial S.A.C.	From 2015 to 2018	From 2015 to 2018
Química Suiza S.A.C.	From 2016 to 2019	From 2016 to 2020
Quimiza Ltda.	From 2013 to 2019	From 2013 to 2020
Real Plaza S.R.L.	2015 and 2017 to 2019	From 2016 to 2020
Centro Comercial Estación Central S.A.	From 2015 to 2019	From 2016 to 2020
Superfarma Mayoristas S.A.C.	From 2016 to 2019	From 2016 to 2019
Supermercados Peruanos S.A.	From 2014 to 2019	From 2016 to 2020
Plaza Ve Oriente S.A.C.	From 2018 to 2019	From 2018 to 2020
Plaza Ve Sur S.A.C.	From 2014 to 2019	From 2016 to 2020
Desarrolladora de Strip Center S.A.C.	From 2013 to 2019	From 2016 to 2020
Vanttive Cía Ltda.	From 2016 to 2019	From 2016 to 2020
Vanttive S.A.C.	From 2015 to 2019	From 2015 to 2020
Farmacias Peruanas S.A.C.	-	2020
Droguería InRetail Pharma S.A.C.	-	2020

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, 2020 and December 31, 2019, the accrued income tax amounted to S/327,013,000 and S/318,848,000, 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, 2020 and December 31, 2019.



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

(f) As of September 30, 2020 and December 31, 2019, estimated losses from previous periods for Subsidiaries for tax purposes are the following:

	<b>2020</b> S/ (000)	<b>2019</b> S/ (000)
Albis S.A.C.	40,858	55,494
Jorsa de la Selva S.A.C.	-	1,959
Quicorp S.A.	3,239	841
Vanttive S.A.C.	-	1
<b>Total</b>	<b>44,097</b>	<b>58,295</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., Quicorp S.A. and Vanttive S.A.C. have chosen method (i) and Jorsa de la Selva S.A.C. method (ii).

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

### 17. Operating expenses

(a) The table below presents the components of this caption for the nine-month period ended September 30, 2020 and 2019:

	2020	2019
	S/(000)	S/(000)
Cost of sales	7,477,390	6,743,807
Selling expenses	1,807,148	1,751,457
Administrative expenses	350,556	343,248
<b>Total</b>	<b>9,635,094</b>	<b>8,838,512</b>

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

	2020			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods, Note 6 (a)	1,773,215	-	-	1,773,215
Initial balance of raw material, Note 6 (a)	15,204	-	-	15,204
Initial balance of miscellaneous supplies, Note 6 (a)	1,008	-	-	1,008
Final balance of finished goods, Note 6 (a)	189	-	-	189
Purchase of goods	7,495,423	-	-	7,495,423
Final balance of goods, Note 6 (a)	(1,968,108)	-	-	(1,968,108)
Final balance of raw material, Note 6 (a)	(19,679)	-	-	(19,679)
Final balance of miscellaneous supplies, Note 6 (a)	(546)	-	-	(546)
Final balance of finished goods, Note 6 (a)	(4)	-	-	(4)
Impairment of inventories, Note 6 (c)	20,333	-	-	20,333
Factory overhead	21,398	-	-	21,398
Cost of services	124,682	-	-	124,682
Personnel expenses	-	704,220	234,854	939,074
Depreciation, Note 8 (d)	4,614	152,918	13,460	170,992
Depreciation from right-of-use asset, Note 12 (b)	9,200	215,644	4,557	229,401
Amortization, Note 10 (e)	315	44,798	10,730	55,843
Services provided by third parties (b)	-	306,833	53,908	360,741
Advertising	-	72,184	18	72,202
Packing and packaging	-	22,752	162	22,914
Rental of premises	-	21,932	28	21,960
Low value assets lease	146	14,136	6,832	21,114
Taxes	-	27,973	5,291	33,264
Provision for doubtful trade receivables, Note 5(g)	-	18,633	523	19,156
Recovery of provision for doubtful trade receivables, Note 5(g)	-	(3,339)	(42)	(3,381)
Provision for doubtful others receivables	-	292	-	292
Recovery of provision for doubtful others receivables	-	(250)	(73)	(323)
Insurance	-	16,493	1,145	17,638
Other charges (c)	-	191,929	19,163	211,092
<b>Total</b>	<b>7,477,390</b>	<b>1,807,148</b>	<b>350,556</b>	<b>9,635,094</b>

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

	2019			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods	1,696,905	-	-	1,696,905
Initial balance of raw material	12,129	-	-	12,129
Initial balance of miscellaneous supplies	1,075	-	-	1,075
Final balance of finished goods	672	-	-	672
Purchase of goods	6,606,971	-	-	6,606,971
Final balance of goods	(1,758,389)	-	-	(1,758,389)
Final balance of raw material	(13,069)	-	-	(13,069)
Final balance of miscellaneous supplies	(1,264)	-	-	(1,264)
Final balance of finished goods	(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 8 (d)	3,188	150,371	13,669	167,228
Depreciation of right-of-use assets, Note 12 (b)	9,613	202,520	13,799	225,932
Amortization, Note 10 (e)	52	31,331	8,667	40,050
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 parties receivables	-	1,292	124	1,416
Provision for doubtful other receivables	-	1,336	-	1,336
Recovery of provision for doubtful other 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>

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

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

### 18. Financial costs

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

	2020	2019
	S/(000)	S/(000)
Interest on loans, borrowings and bonds payable	224,839	223,755
Accrual of the structuring cost of financial obligations	12,391	9,123
Interest on lease liabilities	69,516	71,077
Premium accrual "Call Spread"	16,270	11,415
Other financial costs	19,284	31,742
<b>Total</b>	<b>342,300</b>	<b>347,112</b>

(b) As of September 30, 2020 and December 31, 2019, there are interest payable for these obligations for approximately S/53,897,000 and S/94,969,000, respectively, which are recorded in the "Other payables" caption of the consolidated statements of financial position.

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

### 19. Transactions with related parties

(a) The following table provides the total amount of transactions that have been entered into with related parties for the nine-month period ended as of September 30, 2020 and 2019:

	2020 S/(000)	2019 S/(000)
<b>Income</b>		
Sales	19,256	4,174
Rental income	56,147	88,671
Rendering of services	11,436	9,182
Collection of commissions	6,782	1,826
Interest income	414	1,837
Sale of fixed assets	5	-
Other	40,540	35,667
<b>Total income</b>	<b>134,580</b>	<b>141,357</b>
<b>Expenses</b>		
Renting of premises and land	241	3,691
Reimbursement of expenses	1,160	1,281
Commissions	2,173	247
Interest	176	7,797
Other	17,028	16,196
<b>Total expenses</b>	<b>20,778</b>	<b>29,212</b>
(Loss) gain from joint ventures	<b>(2,195)</b>	<b>36,947</b>

(b) As a result of the transactions with related companies, the InRetail Group recorded the following balances as of September 30, 2020 and December 31, 2019:

	As of September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
<b>Receivables</b>		
Homecenters Peruanos S.A. (f)	33,417	32,269
Financiera Oh! S.A.	21,906	9,095
Tiendas Peruanas S.A.	11,019	9,649
Tiendas Peruanas Oriente S.A.C. (d)	6,506	6,991
Cineplex S.A.	2,854	613
Banco Internacional del Perú S.A.A.-Interbank	990	2,059
Bembos S.A.C.	368	751
Interseguro Compañía de Seguros S.A.	293	1,154
Intercorp Retail Inc. (g)	223	226
Other	19,739	17,728
<b>Total</b>	<b>97,315</b>	<b>80,535</b>
Current	69,799	50,283
Non-current	27,516	30,252
<b>Total</b>	<b>97,315</b>	<b>80,535</b>

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

	As of September 30, 2020 S/(000)	As of December 31, 2019 S/(000)
<b>Payables</b>		
Homecenters Peruanos S.A. (i)	41,104	42,908
Financiera Oh! S.A. (h)	11,690	23,011
Banco Internacional del Perú S.A.A. – Interbank:	-	-
Guarantee deposit (e)	7,205	6,634
Tiendas Peruanas S.A.	1,535	643
Inmobiliaria Milenia S.A.	899	1,151
Intercorp Retail Inc.	23	22
Other	3,867	2,782
<b>Total</b>	<b>66,323</b>	<b>77,151</b>
Remunerations payable to key management	-	-
<b>Total</b>	<b>66,323</b>	<b>77,151</b>
Current	26,056	36,891
Non-current	40,267	40,260
<b>Total</b>	<b>66,323</b>	<b>77,151</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, 2020 and December 31, 2019, the outstanding receivable of Tiendas Peruanas Oriente S.A.C. corresponds mainly to reimbursements of expenses for the implementation of the store "Pucallpa" for an amount of S/11,474,000, which will be financed at 3 years with a rate of 9 percent per year.

As of September 30, 2020, the Company collected S/7,456,000 as amortization of the loan.

- (e) Corresponds to the guarantee that Supermercados Peruanos S.A. received for the rental of financial modules located within its stores, to the Banco Internacional del Perú S.A.A. – Interbank for US\$2,000,000. As of September 30, 2020 and December 31, 2019, Supermercados Peruanos S.A. has credited the update of the present value of this deposit in the "Financial income" caption. As of September 30, 2020 and December 31, 2019, the net present value of the balances related to guarantee deposits amounts to S/7,205,000 and S/6,634,000, respectively.

As of September 30, 2020 and December 31, 2019, Supermercados Peruanos S.A. does not maintain deferred income for this concept.

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

- (f) Corresponds mainly to an account receivable from Homecenters Peruanos S.A. for an amount of S/26,678,000. 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/6,739,000, corresponds to the services received from rental of land and premises, and pending contributions from the joint venture that it has with Supermercados Peruanos, which will be collected in the fourth quarter of 2020.

- (g) The balance receivable from Intercorp Retail Inc. of S/223,000, 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.
- (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, 2020 and December 31, 2019, the InRetail Group holds accounts payables to Financiera Oh! S.A for S/11,690,000 and S/23,011,000, respectively, which correspond mainly to the collection of installments from users of the Oh! Credit card S/10,482,000 and S/2,814,000 as of September 30, 2020 and December 31, 2019.
- (i) As of September 30, 2020 mainly includes contributions from the affiliate Homecenters Peruanos S.A. (hereinafter "The associate") for approximately S/41,104,000 (S/40,260,000 as of December 31, 2019), these contributions arise from the joint venture agreement celebrated with the Company which establishes that the associate will deliver cash in favor of the Company in exchange of having a participation in the results of the projects of "Lurín" and "Tarapoto". These agreements have a term of 60 years, for this reason it is recognized as a long-term liability.
- (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/101,196,000 and S/67,000 respectively, for the construction of new stores and working capital. These leasing contracts accrue annual interest rates that fluctuate between 4.98 and 4.53 percent, and whose maturities are between 2022 and 2024. These transactions are included in "Interest-bearing loans and borrowings". During the nine-month period ended September 30, 2020 and 2019, 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 note. There have been no guarantees provided or received for any related party receivables or payables. As of September 30, 2020 and December 31, 2019, 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.

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

- (l) The compensation of key management personnel of the InRetail Group for the nine-month period ended September 30, 2020 and 2019, is detailed below:

	<b>2020</b> S/(000)	<b>2019</b> S/(000)
Short term employee benefits	47,474	41,266
Insurance and medical benefits	1,230	1,477
Employment benefits for contract termination	<u>3,545</u>	<u>302</u>
<b>Total</b>	<b><u>52,249</u></b>	<b><u>43,045</u></b>

- (m) As of September 30, 2020 and December 31, 2019, the InRetail Group maintains the following balances in the cash and cash equivalent and investments at fair value through profit or loss captions:

	<b>As of September 30, 2020</b> S/(000)	<b>As of December 31, 2019</b> S/(000)
<b>Cash and short-term deposits</b>		
Banco Internacional del Peru – Interbank S.A.A.	134,214	332,284
Inteligo Bank Ltd.	1,965	1,514
<b>Investments at fair value through profit or loss</b>		
Interfondos S.A. Sociedad Administradora de Fondos SAF	15,547	1,655
Fondos Sura SAF S.A.C.	199,572	20,360
Bonos corporativos Colegios Peruanos	24,549	-

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

### 20. Earnings per share

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

The following reflects basic and diluted earnings per share computations:

	<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, 2019	102,807,319	270	102,807,319
Number as of September 30, 2019	102,807,319		102,807,319
Number as of January 1, 2020	102,807,319	270	102,807,319
Number as of September 30, 2020	102,807,319		102,807,319
	<b>For the nine-month period ended September 30, 2020</b>		
	<b>Net income (numerator)</b>	<b>Shares (denominator)</b>	<b>Earnings per share</b>
	S/		S/
Basic and diluted earnings per share	225,385,000	102,807,319	2.192
	<b>For the nine-month period ended September 30, 2019</b>		
	<b>Net income (numerator)</b>	<b>Shares (denominator)</b>	<b>Earnings per share</b>
	S/		S/
Basic and diluted earnings per share	325,823,000	102,807,319	3.169

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)

### 21. Commitments and contingencies

#### Commitments

The main commitments assumed are presented below:

- (a) As of September 30, 2020 the Company and its Subsidiaries agreed with several financial entities on the issuance of solidary and irrevocable letters of guarantee for approximately S/61,438,000, US\$14,594,000, €3,718,000 and B\$401,000 (S/91,735,000, US\$9,739,000 and B\$646,000 as of December 31, 2019), 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, 2020 and December 31, 2019.
- (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, this 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.

- 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. 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/4,184,000, 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 for said objections, as well as the fine plus respective default interest.

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

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.

- (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, 2020 and December 31, 2019.

### 22. 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, 2020 and December 31, 2019 and for the nine-month period ended September 30, 2020 and 2019, 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, 2020 and December 31, 2019 and for the nine-month period ended September 30, 2020 and 2019, 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 period ended September 30, 2020 and 2019

	Supermarkets S/(000)	Pharmacies S/(000)	Manufacturing Distribution and Marketing S/(000)	Shopping Center S/(000)	Total segments S/(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/(000)	Consolidated S/(000)
<b>For the nine-month period ended September 30, 2020</b>							
<b>Revenue</b>							
External income	4,983,385	3,902,870	1,353,717	227,480	10,467,452	7,818	10,475,270
Inter-segment	8,913	22,884	495,825	40,327	567,949	(567,949)	-
<b>Total revenue</b>	<b>4,992,298</b>	<b>3,925,754</b>	<b>1,849,542</b>	<b>267,807</b>	<b>11,035,401</b>	<b>(560,131)</b>	<b>10,475,270</b>
Cost of sales	(3,704,436)	(2,067,152)	(1,584,775)	(108,660)	(7,465,023)	(12,367)	(7,477,390)
Inter-segment	(4,562)	(484,122)	(36,375)	-	(525,059)	525,059	-
<b>Gross profit</b>	<b>1,283,300</b>	<b>1,374,480</b>	<b>228,392</b>	<b>159,147</b>	<b>3,045,319</b>	<b>(47,439)</b>	<b>2,997,880</b>
Join venture loss	(2,195)	-	-	-	(2,195)	-	(2,195)
Loss on valuation at fair value of investment properties	(5,192)	-	-	(31,935)	(37,127)	6,618	(30,509)
Selling expenses	(877,384)	(784,782)	(130,635)	(14,660)	(1,807,461)	313	(1,807,148)
Administrative expenses	(120,117)	(145,150)	(54,716)	(22,350)	(342,333)	(8,223)	(350,556)
Other operating (expenses) income, net	754	1,853	1,102	(470)	3,239	(1,193)	2,046
<b>Operating profit</b>	<b>279,166</b>	<b>446,401</b>	<b>44,143</b>	<b>89,732</b>	<b>859,442</b>	<b>(49,924)</b>	<b>809,518</b>
Exchange difference, net	(65,304)	(33,962)	50	(14,468)	(113,684)	11,799	(101,885)
Finance income	1,949	71,191	64,025	24,693	161,858	(154,039)	7,819
Finance costs	(108,548)	(137,848)	(13,159)	(112,622)	(372,177)	29,877	(342,300)
<b>Profit before income tax</b>	<b>107,263</b>	<b>345,782</b>	<b>95,059</b>	<b>(12,665)</b>	<b>535,439</b>	<b>(162,287)</b>	<b>373,152</b>
Income tax expense	(40,803)	(87,947)	(17,632)	3,082	(143,300)	(4,467)	(147,767)
<b>Profit for the period</b>	<b>66,460</b>	<b>257,835</b>	<b>77,427</b>	<b>(9,583)</b>	<b>392,139</b>	<b>(166,754)</b>	<b>225,385</b>
<b>Attributable to:</b>							
Owners of the parent	66,460	257,835	77,427	(9,583)	392,139	(192,054)	200,085
Non-controlling interests	-	-	-	-	-	25,300	25,300
<b>Profit for the period</b>	<b>66,460</b>	<b>257,835</b>	<b>77,427</b>	<b>(9,583)</b>	<b>392,139</b>	<b>(166,754)</b>	<b>225,385</b>

Notes to the interim consolidated financial statements (continued)

	Supermarkets S/(000)	Pharmacies S/(000)	Manufacturing Distribution and Marketing S/(000)	Shopping center S/(000)	Total segments S/(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/(000)	Consolidated 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 gain	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 period</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 period</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)

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, 2020 and December 31, 2019, 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.

## 23. Objectives and policies of financial risk management

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

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

### (a) Credit risk

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

This risk is managed by the Financial Managers in accordance with the Board's principles to minimize risk concentration and, consequently, mitigate financial losses from potential breach of the counterpart. The maximum exposure to credit risk of the components of the consolidated financial statements as of September 30, 2020 and December 31, 2019, arises from the captions accounts "Cash and cash equivalents", "Trade receivables", "Accounts receivables from related parties", "Financial instruments at fair value through profit or loss and other comprehensive income" and "Derivative financial instruments". The maximum exposure to credit risk of the components of the consolidated financial statements as of September 30, 2020 and December 31, 2019, is their book value, net of the respective provisions for impairment.

### (b) Market risk

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

#### i. Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Financial Managers of the Subsidiaries are responsible for identifying, measuring, controlling and informing on the exposure to global exchange rate risk of the Group. As of September 30, 2020 and December 31, 2019, the InRetail Group maintains "Call Spread" contracts for a total notional amount of US\$750,000, to reduce its foreign currency risk related to the Senior Notes issued. These derivative financial instruments have been qualified as effective hedging instruments; see further detail in note 13.

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

ii. Interest rate risk

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

iii. Price risk

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

(c) Liquidity risk

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

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

(d) Capital management risk

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

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

Changes haven't been made to the objectives, process or policies in capital management during the periods ended on September 30, 2020 and December 31, 2019.

### 24. Fair value

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

When a financial instrument is traded in an active and liquid market, its quoted market price in an actual transaction provides the best evidence of its fair value. When a quoted market price is not available, or may not be indicative of the fair value of the financial instrument, other estimation techniques may be used to determine such fair value, including the current market value of another financial instrument that is substantially similar, discounted cash flow analysis or other techniques applicable, all of which are significantly affected by the assumptions used. Although Management uses its best judgment in estimating the fair value of these financial instruments, there are inherent weaknesses in any estimation technique. As a result, the fair value may not be indicative of the net realizable of settlement value.

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

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

(a) Financial instruments whose fair value is similar to book value

Assets and liabilities that are liquid or have short maturities (less than three months), such as cash and short-term deposits, trade and other receivables, trade and other payables and other current liabilities, approximate to their carrying amounts largely due to the short-term maturities of these instruments. Also, the derivative instrument by the InRetail Group is recorded at fair value.

(b) Fixed-rate financial instruments

The fair value of financial assets and liabilities at fixed interest rates and amortized cost is determined by comparing market interest rates at their initial recognition to current market rates related to similar financial instrument. The estimated fair value of interest-bearing deposits is determined through discounted cash flows by using market interest rates in the prevailing currency with similar maturities and credit risks.

(c) Investment to fair value through equity

Fair value of investment through equity is derived from quoted market prices in active markets, if available. Fair value of unquoted available-for-sale financial assets is estimated using a discounted cash flow technique.

### **Fair value hierarchy**

The InRetail Group uses the following hierarchy for determining and disclosing the fair value of its financial instrument recorded in the statement of financial position:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The InRetail Group does not maintain any financial instrument with fair value determination under level 3 and there were no transfers between levels during the nine-month period ended September 30, 2020 and 2019. 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, 2020, the end of period exchange rates in the market for transactions in US Dollars were S/3.595 per US\$1.00 bid and S/3.599 per US\$1.00 ask (S/3.311 and S/3.317 per US\$1.00 for bid and ask as of December 31, 2019).

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

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by authorized entities of the country in which the Company and its Subsidiaries operate. As of September 30, 2020 and December 31, 2019, the end of period exchange rate at the market for transactions of the different currency in relation to the Sol are as following:

Exchange rate per soles	2020	2019
U. S. Dollars (US\$)	0.278	0.302
Bolivianos (B\$)	1.934	2.029
Colombian Peso (\$)	1,077.783	990.246

As of September 30, 2020 and December 31, 2019, the InRetail Group held the following foreign currency assets and liabilities:

	As of September 30, 2020			As of December 31, 2019		
	US\$(000)	B\$ (000)	\$ (000)	US\$(000)	B\$ (000)	\$ (000)
<b>Assets</b>						
Cash and short-term deposits	15,109	18,082	890,613	14,789	6,669	679,864
Investments at fair value through profit or loss	6,821	-	-	2,827	-	-
Trade receivables, net	61,306	33,177	7,228,367	52,922	45,088	9,833,962
Other accounts receivables, net	8,100	6,136	420,463	5,429	4,632	-
Accounts receivable from related parties	1,279	752	-	2,577	-	-
<b>Total assets</b>	<b>92,615</b>	<b>58,147</b>	<b>8,539,443</b>	<b>78,544</b>	<b>56,389</b>	<b>10,513,826</b>
<b>Liabilities</b>						
Trade payables	(108,708)	(14,220)	(6,563,875)	(92,883)	(28,498)	(5,484,008)
Other payables	(16,173)	(9,768)	(1,475,445)	(18,901)	(13,089)	-
Accounts payable to related parties	(2,844)	-	-	(2,781)	-	-
Lease liability	(261,711)	(2,259)	(152,298)	(239,720)	(2,506)	-
Interest - bearing loans and borrowings	(773,528)	(1,180)	(2,989,968)	(780,516)	-	(3,600,000)
<b>Total Liabilities</b>	<b>(1,162,964)</b>	<b>(27,427)</b>	<b>(11,181,586)</b>	<b>(1,134,801)</b>	<b>(44,093)</b>	<b>(9,084,008)</b>
Call Spread	750,000	-	-	750,000	-	-
<b>Net (liability) asset position</b>	<b>(320,349)</b>	<b>30,720</b>	<b>(2,642,143)</b>	<b>(306,257)</b>	<b>12,296</b>	<b>1,429,818</b>

As of September 30, 2020 and December 31, 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 7.

These instruments cover 100 percent of the exposure in foreign currency of the principal amount and protects it from 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. 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.