

**InRetail Perú Corp. and Subsidiaries**

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

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## InRetail Perú Corp. and Subsidiaries

### Interim consolidated statements of financial position

As of December 31, 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	936,315	740,166	Trade payables	11	3,318,184	2,946,832
Investments at fair value through profit or loss		267,019	22,015	Other payables		670,609	470,386
Trade receivables, net	5	624,316	580,994	Accounts payable to related parties	19(b)	24,830	36,891
Other receivables, net		122,656	83,833	Current income tax	14(b)	73,684	21,282
Accounts receivables from related parties	19(b)	78,494	50,283	Interest-bearing loans and borrowings	13	1,773,620	386,266
Inventories, net	6	2,158,521	1,835,047	Deferred revenue		20,263	10,990
Prepayments		13,169	14,831	Lease liability	12(c)	226,749	306,145
Taxes recoverable		137,086	101,483	<b>Total current liabilities</b>		<b>6,107,939</b>	<b>4,178,792</b>
<b>Total current assets</b>		<b>4,337,576</b>	<b>3,428,652</b>				
<b>Non-current assets</b>		-	-	<b>Non-current liabilities</b>			
Other receivables, net		62,481	44,937	Trade payables	11	5,495	16,258
Accounts receivables from related parties	19(b)	26,564	30,252	Accounts payable to related parties	19(b)	42,517	40,260
Taxes recoverable		25,033	17,308	Other payables		2,317	1,424
Derivative financial instruments	7	212,447	130,913	Interest-bearing loans and borrowings	13	5,242,887	4,863,605
Property, furniture and equipment, net	8	4,266,541	3,602,925	Income tax related to Special Purpose Entities	14(b)	326,683	318,848
Investment properties	9	3,899,509	3,879,572	Deferred revenue		32,278	35,696
Right-of-use assets, net	12(b)	1,393,726	1,402,882	Deferred income tax liabilities, net	14(a)	469,699	465,588
Intangible assets, net	10	1,204,998	1,174,699	Reserves for employee retirement pension funds		21,131	19,865
Goodwill	10	2,722,074	1,982,106	Lease liability	12(c)	1,287,786	1,096,135
Deferred income tax assets, net	14(a)	93,853	51,932	<b>Total non-current liabilities</b>		<b>7,430,793</b>	<b>6,857,679</b>
Other assets		7,949	7,208	<b>Total liabilities</b>		<b>13,538,732</b>	<b>11,036,471</b>
<b>Total non-current assets</b>		<b>13,915,175</b>	<b>12,324,734</b>	<b>Equity</b>			
<b>Total assets</b>		<b>18,252,751</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		(130,233)	(13,076)
				Unrealized results from foreign currency translation		1,840	(208)
				Unrealized results from actuarial reserve for retirement		927	415
				Retained earnings		2,183,482	2,076,035
				<b>Equity attributable to owners of the parent</b>		<b>4,609,913</b>	<b>4,617,063</b>
				Non-controlling interest		104,106	99,852
				<b>Total equity</b>		<b>4,714,019</b>	<b>4,716,915</b>
				<b>Total liabilities and equity</b>		<b>18,252,751</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 twelve-month period ended December 31, 2020 and 2019

	Note	Fourth quarter			
		2020 S/(000)	2019 S/(000)	2020 S/(000)	2019 S/(000)
<b>Revenue from ordinary activities</b>					
Net sales of goods		13,727,044	12,260,910	3,732,616	3,212,522
Rental income		344,129	473,024	111,367	138,700
Rendering of services		338,231	335,678	90,151	92,721
<b>Revenue</b>		<b>14,409,404</b>	<b>13,069,612</b>	<b>3,934,134</b>	<b>3,443,943</b>
Cost of sales	17(a)	(10,240,703)	(9,121,810)	(2,763,313)	(2,378,003)
<b>Gross profit</b>		<b>4,168,701</b>	<b>3,947,802</b>	<b>1,170,821</b>	<b>1,065,940</b>
(Loss) gain from joint venture	19(a)	(2,195)	33,422	-	(3,525)
(Loss) gain on valuation at fair value of investment properties	9(b)	(84,520)	157,158	(54,011)	134,259
Selling expenses	17(a)	(2,454,124)	(2,362,403)	(646,976)	(610,946)
Administrative expenses	17(a)	(497,947)	(427,749)	(147,391)	(84,501)
Other operating income (expenses), net		(1,363)	(3,664)	(3,409)	252
<b>Operating profit</b>		<b>1,128,552</b>	<b>1,344,566</b>	<b>319,034</b>	<b>501,479</b>
Financial income		10,045	19,489	2,226	3,090
Financial expenses	18(a)	(464,285)	(466,848)	(121,985)	(119,736)
Exchange difference, net		(124,170)	20,832	(22,285)	21,490
<b>Profit before income tax</b>		<b>550,142</b>	<b>918,039</b>	<b>176,990</b>	<b>406,323</b>
Income tax expense	14(a)	(210,791)	(321,201)	(63,024)	(135,308)
<b>Net profit</b>		<b>339,351</b>	<b>596,838</b>	<b>113,966</b>	<b>271,015</b>
<b>Attributable to:</b>					
InRetail Perú Corp. shareholders		302,650	558,573	102,565	258,586
Non-controlling interest		36,701	38,265	11,401	12,429
<b>Net profit</b>		<b>339,351</b>	<b>596,838</b>	<b>113,966</b>	<b>271,015</b>
<b>Earnings per share:</b>					
Basic and diluted profit for the period attributable to ordinary equity holders of the parent	20	3.301	5.805	1.109	2.636

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 twelve-month period ended December 31, 2020 and 2019

	2020 S/(000)	2019 S/(000)	Fourth quarter	
			2020 S/(000)	2019 S/(000)
<b>Profit for the period</b>	339,351	596,838	113,966	271,015
<b>Other comprehensive income</b>				
Unrealized gain on investments at fair value through equity	-	260	-	-
Income tax related to Special Purpose Entities	-	(413)	-	-
<b>Total other comprehensive income on investments at fair value through equity</b>	-	(153)	-	-
Unrealized (loss) gain on hedging derivative financial instrument	(131,063)	28,922	(9,885)	20,442
Income tax related to Special Purpose Entities	(9,831)	2,955	(540)	5,462
Income tax	18,117	(3,759)	1,268	(4,042)
<b>Total other comprehensive income on hedging derivative financial instruments</b>	(122,777)	28,118	(9,157)	21,862
Unrealized results from foreign currency translation	1,674	(245)	19	(314)
<b>Total other comprehensive income from foreign currency translation</b>	1,674	(245)	19	(314)
Unrealized gain from actuarial reserve for retirement	588	297	588	297
<b>Total other comprehensive income from actuarial reserve for retirement</b>	588	297	588	297
<b>Other comprehensive income for the period, net of income tax effects</b>	(120,515)	28,017	(8,550)	21,845
<b>Total comprehensive income for the period</b>	218,836	624,855	105,416	292,860
<b>Attributable to:</b>				
InRetail Perú Corp. shareholders	187,462	585,417	94,330	279,179
Non-controlling interest	31,374	39,438	11,086	13,681
<b>Total comprehensive income for the period</b>	218,836	624,855	105,416	292,860

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 twelve-month period ended December 31, 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	157	1,626,407	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>157</b>	<b>1,631,133</b>	<b>4,145,317</b>	<b>78,346</b>	<b>4,223,663</b>
Profit for the period	-	-	-	-	-	-	-	558,573	558,573	38,265	596,838
Other comprehensive income	-	-	-	26,952	(153)	(213)	258	-	26,844	1,173	28,017
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,952</b>	<b>(153)</b>	<b>(213)</b>	<b>258</b>	<b>558,573</b>	<b>585,417</b>	<b>39,438</b>	<b>624,855</b>
Dividends	-	-	-	-	-	-	-	(115,640)	(115,640)	(17,932)	(133,572)
Dividends treasury shares	-	-	-	-	-	-	-	1,969	1,969	-	1,969
<b>Balance as of December 31, 2019</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>
<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	-	-	-	-	-	-	-	302,650	302,650	36,701	339,351
Other comprehensive income	-	-	-	(117,157)	-	1,457	512	-	(115,188)	(5,327)	(120,515)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(117,157)</b>	<b>-</b>	<b>1,457</b>	<b>512</b>	<b>302,650</b>	<b>187,462</b>	<b>31,374</b>	<b>218,836</b>
Dividends	-	-	-	-	-	-	-	(197,896)	(197,896)	(27,205)	(225,101)
Dividends treasury shares	-	-	-	-	-	-	-	3,369	3,369	-	3,369
Other	-	-	-	-	-	591	-	(676)	(85)	85	-
<b>Balance as of December 31, 2020</b>	<b>2,138,566</b>	<b>(57,636)</b>	<b>472,967</b>	<b>(130,233)</b>	<b>-</b>	<b>1,840</b>	<b>927</b>	<b>2,183,482</b>	<b>4,609,913</b>	<b>104,106</b>	<b>4,714,019</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 twelve-month period ended December 31, 2020 and 2019

	2020 S/(000)	2019 S/(000)
<b>Operating activities</b>		
Revenue	14,312,003	13,112,052
Recovery of taxes	31,104	55,163
Payments of goods and services to suppliers	(11,232,030)	(10,164,730)
Payments of salaries and social benefits to employees	(1,279,025)	(1,185,291)
Taxes paid	(316,677)	(261,147)
Other payments, net	(36,037)	(22,809)
<b>Net cash flows from operating activities</b>	<b>1,479,338</b>	<b>1,533,238</b>
<b>Investing activities</b>		
Sale of property, furniture and equipment	1,852	1,120
Loans collected from related parties	-	124,028
Sale of investments at fair value through profit or loss	666,159	212,048
Sale of investments at fair value through equity	-	37,812
Sale of subsidiary, net of cash sold	5,834	-
Acquisition of a subsidiary, net of cash acquired	(1,212,599)	-
Purchase of investments at fair value through profit or loss	(908,572)	(214,291)
Purchase of investment properties, net of acquisitions through leasing contracts	(84,698)	(249,892)
Purchase of property, furniture and equipment, net of acquisitions through leasing contracts	(201,688)	(431,840)
Value added tax payment related to investment properties	(13,914)	(35,787)
Purchase of investments at fair value through equity	-	(29,724)
Loans granted to related parties	-	(117,250)
Purchase and development of intangible assets	(44,616)	(22,637)
<b>Net cash flows used in investing activities</b>	<b>(1,792,242)</b>	<b>(726,413)</b>
<b>Financing activities</b>		
Proceeds from interest-bearing loans and borrowings, net of up-front fees	3,172,357	932,208
Repayment of interest-bearing loans and borrowings	(1,757,327)	(857,902)
Payment of dividends	(194,527)	(113,671)
Payment of dividends to non-controlling interest	(27,205)	(17,932)
Interest paid	(306,676)	(302,761)
Interest payment of lease liability	(97,317)	(97,076)
Payment of lease liability	(274,471)	(252,363)
Rent payments and key money paid in advance	(5,781)	-
<b>Net cash flows from (used) in financing activities</b>	<b>509,053</b>	<b>(709,497)</b>
Net increase of cash and short-term deposits	196,149	97,328
<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>936,315</b>	<b>740,166</b>
<b>Non-cash transactions</b>		
Fixed assets purchased through leasing and other financial and non financial obligations	18,820	12,415
Investment properties purchased through leasing and other financial obligations	19,469	130,466
Initial record of right-of-use asset	-	1,576,859
Addition of the period of right-of-use asset	284,683	146,435

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 December 31, 2020 and December 31, 2019 and for the twelve-month period ended December 31, 2020 and 2019

#### 1. Business activity, Acquisitions at Subsidiaries 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 December 31, 2020 the percentages of ownership are:

Owner	Ownership %
Intercorp Retail Inc.	58.04
Inteligo Bank	9.06
Intercorp Perú Ltd.	3.26
Intercorp Financial Services	2.33
Others	27.31
<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 December 31, 2020 and December 31, 2019 and for the twelve-month period ended December 31, 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 March 1, 2021.



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

### b) Acquisitions at Subsidiaries

#### i. Makro Supermayorista S.A.

On December 23, 2020, InRetail Perú acquired through Supermercados Peruanos S.A. and InRetail Foods S.A.C. 100 percent of the capital stock of Makro Supermayorista S.A. for an amount of US\$359,619,000, equivalent to S/1,300,743,000. Established in 2008, Makro Supermayorista S.A. is the leading cash and carry operator in Perú, supplying consumer goods mainly to professional customers. Makro operates 16 stores in Lima and Provinces.

The acquisition was financed through a bridge loan.

Upon obtaining control, the Group applied the purchase method established in IFRS 3 "Business Combination" to determine the acquired goodwill of S/739,968.

Considering that the acquisition date was December 23, 2020, the fair values of the identifiable assets and liabilities of Makro correspond to preliminary amounts. In Management's opinion, they will have the final balances and finish the measurement period during 2021, which is in accordance to IFRS 3.

#### ii. Quicorp Group

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 complied with the restrictions ruled by the Government operating at maximum visitor capacity. These effects are included in the consolidated financial statements.

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

### 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 issuing debt in the local market and abroad. As of December 31, 2020 and December 31, 2019 the representative shares of stock of Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries, and InRetail Foods S.A.C. are maintained in trust in this entity. A description of such subsidiaries is presented below:

(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 December 31, 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. and Subsidiaries. See Note 1 b). The legal address of the Company, where the administrative offices are located, is Defensores del Morro Av. N° 1277, Chorrillos, Lima, Peru.

(ii) Supermercados Peruanos S.A., is dedicated to retail. As of December 31, 2020 and December 31, 2019, operates 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., (iii) Plaza Veá Oriente S.A.C. and (iv) 62.58 percent of Makro Supermayorista S.A. See note 1 b). The legal address of the Company, where the administrative offices are located, is Morelli street N° 181, San Borja, Lima, Peru.

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.

(iii) InRetail Foods S.A.C., is a Company incorporated only with the purpose of acquiring 37.42 percent of Makro Supermayorista S.A.

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

- (b) InRetail Real Estate Corp. is a Holding company incorporated in the Republic of Panama in April 2012. In July 2014, InRetail Shopping Malls (a SPE controlled by InRetail Real Estate Corp.) was incorporated only for the purpose of issuing “Senior Notes Unsecured”. As of December 31, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Cash (b)	48,593	73,629
Current accounts (c)	625,219	616,920
Time deposits (d)	174,702	18,278
Remittances in transit	87,801	31,339
<b>Total</b>	<b>936,315</b>	<b>740,166</b>

- (b) As of December 31, 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 0.01 and 0.12 percent in Soles, between 1.50 and 1.62 percent in Colombian Pesos and 2.00 percent in US Dollars as of December 31, 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 December 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Invoices (c)	601,530	557,257
Retail sales (e)	65,392	39,921
Provision for accrued revenue (f)	12,476	20,620
Rent receivable (d)	13,322	16,638
Others	9,537	5,525
<b>Total</b>	<b>702,257</b>	<b>639,961</b>
Provision for doubtful accounts (g)	(77,941)	(58,967)
<b>Total</b>	<b>624,316</b>	<b>580,994</b>
Current	624,316	580,994
Non current	-	-
<b>Saldo final</b>	<b>624,316</b>	<b>580,994</b>

- (b) Trade receivables are denominated in the currency of each country and US Dollars, have current maturity and do not bear interest.
- (c) Corresponds mainly to (i) pending deposits in favor of Supermercados Peruanos and InRetail Pharma Group for the last day of the month, respectively, held by credit card operators and originated from the sales of goods with credit cards in the different stores of Supermercados Peruanos S.A. and InRetail Pharma Group, and (ii) trade accounts receivable from corporate sales.

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

- (d) Corresponds to accounts receivable for the lease of commercial premises to concession holders inside the stores of Supermercados Peruanos S.A. and the accounts receivable for the rental income of Interproperties Holding.
- (e) Correspond mainly to the balance receivable from the sale of goods to public institutions and various local and foreign companies. At the date of this report, these balances were mostly collected.
- (f) As of December 31, 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 twelve-month period ended December 31, 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>
Acquisition of subsidiary	843	-
Provision recognized as expense, Note 17 (a)	23,248	9,079
Recoveries, Note 17 (a)	(1,773)	(2,544)
Write-offs	(5,082)	(12,116)
Exchange rate	(1)	23
Foreign currency translation	1,697	14
Others	42	(85)
<b>Balance as of December 31</b>	<b>77,941</b>	<b>58,967</b>

As of December 31, 2020 and December 31, 2019, the amount of trade receivables past due but non-impaired amounted to approximately S/111,672,000 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 December 31, 2020 and December 31, 2019, appropriately covers the credit risk of this item at those dates.

### 6. Inventories, net

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

	<b>As of December 31,</b>	<b>As of December 31,</b>
	<b>2020</b>	<b>2019</b>
	S/(000)	S/(000)
Goods, Note 17 (a)	1,957,282	1,773,215
Goods in transit (b)	198,653	55,732
Raw material, Note 17 (a)	19,552	15,204
Miscellaneous supplies	3,914	5,045
Miscellaneous supplies for manufacture, Note 17 (a)	550	1,008
Finished goods, Note 17 (a)	455	189
<b>Total</b>	<b>2,180,406</b>	<b>1,850,393</b>
<b>Minus</b>		
Provision for impairment of inventories (c)	(21,885)	(15,346)
<b>Total</b>	<b>2,158,521</b>	<b>1,835,047</b>

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

- (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 twelve-month period ended December 31, 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>
Acquisition of subsidiary	557	-
Provision of the period, Note 17 (a)	12,862	8,192
Recoveries	-	(122)
Write-offs	(7,218)	(5,288)
Foreign currency translation	338	(39)
<b>Balance as of December 31</b>	<b>21,885</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.

### 7. Derivative financial instruments

As of December 31, 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 US\$(000)	Due	Pay fix at %	Book value of the hedged item S/(000)	Fair value 2020 S/(000)	Fair value 2019 S/(000)
J.P. Morgan (a)	350,000	April 2028	1.05	1,268,400	100,174	67,405
Citibank N.A. (a)	400,000	May 2023	2.38	1,449,600	112,273	63,508
<b>Total</b>					<b>212,447</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 December 31, 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 S/(000)	Buildings infrastructure and facilities S/(000)	Miscellaneous and equipment S/(000)	Vehicles S/(000)	Furniture and fixture S/(000)	Works in progress S/(000)	As of December 31, 2020 S/(000)	As of December 31, 2019 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>
Acquisition of subsidiary	409,671	326,471	51,806	1,353	22,768	4,518	816,587	-
Additions (b)	804	79,398	97,415	203	15,301	27,387	220,508	444,255
Disposals and/or sales (c)	(12)	(26,007)	(55,831)	(643)	(6,468)	(681)	(89,642)	(112,986)
Disposal of subsidiary	-	-	-	-	-	-	-	-
Transfer to intangible assets, Note 10 (a)	-	(1,203)	(1,821)	-	(1,121)	-	(4,145)	-
Transfer	-	-	-	-	-	-	-	-
Transfer to investment properties, Note 9(b)	-	101,081	3,505	-	2,042	(106,628)	-	-
Foreign currency translation	-	(290)	-	-	-	-	(290)	(43,083)
<b>Final balance</b>	<b>1,379,840</b>	<b>2,816,235</b>	<b>1,371,585</b>	<b>5,045</b>	<b>240,310</b>	<b>237,916</b>	<b>6,050,931</b>	<b>5,109,408</b>
<b>Accumulated depreciation</b>								
<b>Initial balance</b>	-	-	-	-	-	-	-	-
Acquisition of subsidiary	-	597,508	787,055	2,469	118,445	-	1,505,477	1,385,909
Additions (d)	-	72,459	36,671	834	14,031	-	123,995	-
Disposals and/or sales (c)	-	90,340	119,303	506	20,578	-	230,727	225,868
Disposal of subsidiary	-	-	-	-	-	-	-	-
Transfer	-	(801)	(1,668)	-	(867)	-	(3,336)	-
Transfer to investment properties, Note 9(b)	-	-	-	-	-	-	-	-
Foreign currency translation	-	-	-	-	-	-	-	-
<b>Final balance</b>	-	<b>745,093</b>	<b>891,090</b>	<b>3,215</b>	<b>146,299</b>	-	<b>1,785,697</b>	<b>1,506,393</b>
<b>Net book value</b>	<b>1,379,840</b>	<b>2,071,142</b>	<b>480,495</b>	<b>1,830</b>	<b>94,011</b>	<b>237,916</b>	<b>4,265,234</b>	<b>3,603,015</b>

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

- (b) Additions for the twelve-month period ended December 31, 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 twelve-month period ended December 31, 2020 and 2019, was recorded as follows in the income statement:

	2020	2019
	S/(000)	S/(000)
Cost of sales, Note 17 (a)	-	-
Sales expenses, Note 17 (a)	6,187	4,330
Administrative expenses, Note 17 (a)	206,440	202,632
<b>Balance as of December 31</b>	<b>212,627</b>	<b>206,962</b>

- (e) As of December 31, 2020 and December 31, 2019, Supermercados Peruanos S.A. has mortgaged land, buildings and facilities for a net book value of S/879,610,000 (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 December 31, 2020 and December 31, 2019, the cost and corresponding accumulated depreciation of assets acquired through finance leases amounted to approximately S/772,402,000 and S/299,385,000, 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 December 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Real Plaza Puruchuco Shopping Mall	616,068	593,831
Real Plaza Salaverry Shopping Mall (i)	445,897	448,027
Real Plaza Chiclayo Shopping Mall	268,736	266,578
Real Plaza Cusco Shopping Mall (i)	272,478	256,541
Real Plaza Primavera Shopping Mall	234,455	239,885
Real Plaza Piura Shopping Mall	234,423	235,634
Real Plaza Trujillo Shopping Mall	214,980	217,479
Real Plaza Centro Civico Shopping Mall (i)	204,300	202,885
Real Plaza Huancayo Shopping Mall (i)	134,140	142,119
Real Plaza Pucallpa Shopping Mall	109,953	114,465
Real Plaza Huánuco Shopping Mall (i)	102,421	103,705
Real Plaza Cajamarca Shopping Mall	90,125	90,447
Real Plaza Santa Clara - Altamirano Shopping Mall	84,351	84,477
Real Plaza Villa Maria del Triunfo Shopping Mall (La Curva) (i)	82,156	82,791
Real Plaza Juliaca Shopping Mall (i)	75,610	75,025
Real Plaza Pro Shopping Mall	66,783	67,004
Real Plaza Chorrillos Shopping Mall	65,813	66,164
Real Plaza Arequipa Shopping Mall (i)	53,807	56,447
Plaza Center Lurin Shopping Mall	47,211	50,450
Real Plaza Nuevo Chimbote Shopping Mall	39,176	39,018
Plaza Center Ilo Shopping Mall	38,702	38,288
Real Plaza Sullana Shopping Mall	30,813	31,522
Plaza Center Villa El Salvador Shopping Mall	28,367	27,927
Plaza Center Moquegua Shopping Mall	28,041	29,560
Plaza Center Tumbes Shopping Mall	16,349	19,987
Plaza Center Tarapoto Shopping Mall	18,168	19,432
Plaza Center Tacna Shopping Mall	18,039	18,870
Jr. de la Unión stores	10,382	13,343
Others (ii)	267,765	247,671
<b>Total</b>	<b>3,899,509</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 twelve-month period ended December 31, 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	104,167	380,358
Fair value adjustment	(84,520)	157,158
Transfer from property, furniture and equipment; Note 8 (a)	290	43,038
<b>Balance as of December 31</b>	<b>3,899,509</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 December 31, 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>
Acquisition of subsidiary	116,239	-
Additions (c)	44,616	22,637
Disposal and/or sales	(3,091)	(3,049)
Transfer	(6,409)	-
Transfer from property, plant and equipment, Note 8(a)	489	654
Foreign currency translation	355	(93)
<b>Final balance</b>	<b>1,560,881</b>	<b>1,408,682</b>
<b>Accumulated amortization</b>		
<b>Initial balance</b>	<b>233,983</b>	<b>182,336</b>
Acquisition of subsidiary	54,212	-
Additions (e)	74,486	53,686
Disposals and/or sales	(698)	(1,977)
Transfer	(6,409)	-
Foreign currency translation	309	(62)
<b>Final balance</b>	<b>355,883</b>	<b>233,983</b>
<b>Goodwill</b>		
<b>Initial balance (d)</b>	<b>1,982,106</b>	<b>1,982,106</b>
Additions	739,968	-
<b>Final balance</b>	<b>2,722,074</b>	<b>1,982,106</b>
<b>Net, book value</b>	<b>3,927,072</b>	<b>3,156,805</b>

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

- (b) As of December 31, 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.

In the caption, acquisition of subsidiary, mainly corresponds to the brands received in the acquisition of Makro Supermayorista S.A for S/57,293,000.

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

- (c) As of December 31, 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).

As of December 31, 2020, the addition corresponds to a goodwill of S/739,968,000, as a result of the acquisition of Makro Supermayorista S.A. See note 1 (b) (i).

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 twelve-month period ended December 31, 2020 and 2019 has been recorded in the following items of the consolidated statements:

	2020 S/(000)	2019 S/(000)
Cost of sales, Note 17 (a)	419	69
Sales expenses, Note 17 (a)	56,902	41,976
Administrative expenses, Note 17 (a)	17,165	11,641
<b>Balance as of December 31</b>	<b>74,486</b>	<b>53,686</b>

### 11. Trade payables

The table below presents the composition of this caption:

	As of December 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Bills payable from purchase of goods	2,904,495	2,549,796
Bills payable from commercial services	312,678	322,827
Provision for services and maintenance	106,506	90,467
<b>Total</b>	<b>3,323,679</b>	<b>2,963,090</b>
Current	3,318,184	2,946,832
Non-current	5,495	16,258
<b>Total</b>	<b>3,323,679</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 twelve-month period ended as of December 31, 2020 and December 31, 2019, is as follows:

	Land	Buildings infrastructure and facilities	Vehicles	As of December 31, 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>	-
Acquisition of subsidiary	-	27,873	-	27,873	-
First adoption of IFRS 16	-	-	-	-	1,576,859
Additions	932	281,408	2,343	284,683	146,435
Cancellation of contract	-	(20,797)	(365)	(21,162)	-
Disposals	-	(3,270)	-	(3,270)	(14,709)
Foreign currency translation	-	2,224	117	2,341	(436)
<b>Final balance</b>	<b>154,375</b>	<b>1,840,197</b>	<b>4,042</b>	<b>1,998,614</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>	-
Acquisition of subsidiary	-	3,989	-	3,989	-
Additions, Note 17 (a)	7,406	297,848	968	306,222	306,862
Cancellation of contract	-	(9,207)	(194)	(9,401)	-
Disposals and/or sales	-	(2,380)	-	(2,380)	(1,570)
Foreign currency translation	-	1,142	49	1,191	(25)
<b>Final balance</b>	<b>14,869</b>	<b>588,644</b>	<b>1,375</b>	<b>604,888</b>	<b>305,267</b>
<b>Net book value</b>	<b>139,506</b>	<b>1,251,553</b>	<b>2,667</b>	<b>1,393,726</b>	<b>1,402,882</b>

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

Depreciation expense for the twelve-month period ended December 31, 2020 and 2019, was recorded as follows in the income statement:

	<b>2020</b>	<b>2019</b>
	S/(000)	S/(000)
Cost of sales, Note 17 (a)	11,906	12,295
Sales expenses, Note 17 (a)	286,950	288,200
Administrative expenses, Note 17 (a)	7,366	6,367
<b>Balance as of December 31</b>	<b>306,222</b>	<b>306,862</b>

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

	<b>As of December 31, 2020</b>	<b>As of December 31, 2019</b>
	S/(000)	S/(000)
<b>Initial balance</b>	<b>1,402,280</b>	-
Acquisition of subsidiary	26,404	-
First adoption of IFRS 16	-	1,540,878
Additions	284,683	146,435
Increase for accrued interest, Note 18	97,317	97,076
Amortization	(371,788)	(349,838)
Disbursements made at the start of the contract	(4,455)	-
Disposals	(890)	-
Cancellation of contract	(11,990)	(13,061)
Rent paid in advance	(1,326)	-
Exchange rate	92,996	(18,825)
Foreign currency translation	1,304	(385)
<b>Final balance</b>	<b>1,514,535</b>	<b>1,402,280</b>
Current	226,749	306,145
Non-current	1,287,786	1,096,135
<b>Total</b>	<b>1,514,535</b>	<b>1,402,280</b>

Additionally, in the twelve-month period ended as of December 31, 2020 and 2019, interest related to the lease liability of S/97,317,000 and S/97,076,000, 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	
							2020	2019	2020	2019	2020	2019
				US\$ (000)	S (000)	S/(000)	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	-	-	1,195,204	1,087,035	-	-	1,195,204	1,087,035
Senior Notes Unsecured (b)	PEN	6.563	2028	-	-	313,500	310,202	309,859	-	-	310,202	309,859
Senior Notes Unsecured (d)	PEN	7.875	2034	-	-	141,000	135,588	135,514	-	-	135,588	135,514
Senior Notes Unsecured (c)	PEN	6.438	2025	-	-	385,800	384,041	383,707	-	-	384,041	383,707
Senior Notes Unsecured (c)	USD	5.375	2023	400,000	-	-	1,436,872	1,310,706	-	-	1,436,872	1,310,706
				<b>750,000</b>	<b>-</b>	<b>840,300</b>	<b>3,461,907</b>	<b>3,226,821</b>	<b>-</b>	<b>-</b>	<b>3,461,907</b>	<b>3,226,821</b>
<b>Leasings</b>												
<b>Related entities</b>												
Banco Internacional del Perú-Interbank	PEN	4.980	2024	-	-	101,963	101,275	100,955	-	-	101,275	100,955
Banco Internacional del Perú-Interbank	USD	4.530	2022	50	-	-	60	197	31	142	29	55
<b>Non related entities</b>												
Banco de Crédito del Perú	PEN	Between 6.590 and 6.600	2021	-	-	8,039	317	3,715	317	3,399	-	316
Banco Scotiabank (j)	PEN	5.510	2025	-	-	380,000	367,378	239,970	30,897	-	336,481	239,970
Banco Scotiabank	PEN	6.750	2020	-	-	24,831	-	3,064	-	3,064	-	-
Banco Interamericano de Finanzas	PEN	7.500	2021	-	-	11,196	1,001	-	1,001	-	-	-
Banco Interamericano de Finanzas	PEN	Between 5.240 and 7.250	2022	-	-	24,915	14,556	-	8,590	-	5,966	-
Banco Continental	PEN	4.950	2024	-	-	18,150	12,007	-	3,593	-	8,414	-
Banco de Crédito del Perú	PEN	5.620	2025	-	-	13,425	13,424	-	3,039	-	10,385	-
Banco de Crédito del Perú	PEN	5.050	2025	-	-	18,767	18,767	-	4,620	-	14,147	-
Banco Santander del Perú	PEN	Between 6.920 and 7.650	2022	-	-	1,419	644	1,011	378	367	266	644
Banco de Crédito del Perú	PEN	5.500	2021	-	-	399	-	240	-	134	-	106
Banco de Crédito del Perú	PEN	7.560	2020	-	-	111	-	36	-	36	-	-
Banco Continental	PEN	4.950	2021	-	-	129	19	71	19	44	-	27
Banco Santander del Perú	PEN	Between 8.330 and 8.550	2020	-	-	1,328	-	33	-	33	-	-
				<b>50</b>	<b>-</b>	<b>604,672</b>	<b>529,448</b>	<b>349,292</b>	<b>52,485</b>	<b>7,219</b>	<b>476,963</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)	\$ (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	1.760	2021	-	-	35,000	35,000	-	35,000	-	-	-
Banco Internacional del Perú-Interbank	PEN	4.980	2024	-	-	198,037	196,923	196,632	-	-	196,923	196,632
Banco Internacional del Perú-Interbank	PEN	0.400	2021	-	-	35,000	35,000	-	35,000	-	-	-
Banco Internacional del Perú-Interbank (i)	PEN	4.700	2025	-	-	161,950	103,363	126,333	22,970	22,970	80,393	103,363
<b>Non related entities</b>												
Banco de Crédito del Perú	PEN	5.650	2024	-	-	150,000	-	124,250	-	24,850	-	99,400
Banco Scotiabank	PEN	Between 4.200 and 5.070	2026	-	-	925,100	764,164	769,630	109,272	152,422	654,892	617,208
Banco Citibank	PEN	2.790	2020	-	-	33,000	-	26,000	-	26,000	-	-
Banco Continental	PEN	4.150	2025	-	-	120,000	119,103	-	3,000	-	116,103	-
Banco Scotiabank (h)	PEN	4.700	2025	-	-	161,950	103,380	126,353	22,973	22,973	80,407	103,380
Banco Scotiabank (f)	PEN	5.250	2027	-	-	50,000	48,414	49,589	4,930	4,932	43,484	44,657
Banco de Crédito del Perú	USD	2.840	2020	5,999	-	-	-	19,902	-	19,902	-	-
Banco Scotiabank	PEN	2.070	2021	-	-	17,500	17,500	-	17,500	-	-	-
Banco de Crédito del Perú (l)	PEN	1.480	2023	-	-	10,000	10,000	-	2,884	-	7,116	-
Banco Continental	PEN	3.990	2020	-	-	15,000	-	15,000	-	15,000	-	-
Banco de Crédito del Perú	PEN	0.820	2021	-	-	45,000	45,000	-	45,000	-	-	-
Banco de Crédito del Perú	PEN	1.070	2021	-	-	8,000	8,000	-	8,000	-	-	-
Banco Scotiabank	PEN	1.180	2021	-	-	21,000	21,000	-	21,000	-	-	-
Banco Scotiabank	PEN	Between 2.800 and 3.000	2020	-	-	46,000	-	46,000	-	46,000	-	-
Banco Citibank	USD	5.000	2022	10,000	-	-	30,203	33,170	10,068	11,056	20,135	22,114
Banco Pichincha	USD	8.950	2021	300	-	-	1,087	995	1,087	995	-	-
Banco Pichincha	USD	8.950	2020	200	-	-	-	664	-	664	-	-
BBVA Banco Continental	COP	6.100	2021	-	89,968	-	94	-	94	-	-	-
Banco de Bogotá	COP	6.030	2023	-	2,900,000	-	3,061	2,935	1,052	-	2,009	2,935
				<b>16,499</b>	<b>2,989,968</b>	<b>2,032,537</b>	<b>1,541,292</b>	<b>1,537,453</b>	<b>339,830</b>	<b>347,764</b>	<b>1,201,462</b>	<b>1,189,689</b>
<b>Foreign loans</b>												
J.P. Morgan Chase Bank N.A. (k)	USD	1.438	2021	375,000	-	-	1,344,679	-	1,344,679	-	-	-
				<b>375,000</b>	<b>-</b>	<b>-</b>	<b>1,344,679</b>	<b>-</b>	<b>1,344,679</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Call Spread financing, Note 7</b>												
BBVA Banco Continental	USD	6.473	2023	18,297	-	-	35,785	44,491	15,977	13,731	19,808	30,760
Banco de Bogotá	USD	10.205	2028	23,440	-	-	70,418	70,086	6,707	5,634	63,711	64,452
				<b>41,737</b>	<b>-</b>	<b>-</b>	<b>106,203</b>	<b>114,577</b>	<b>22,684</b>	<b>19,365</b>	<b>83,519</b>	<b>95,212</b>
<b>Other obligations (g)</b>												
Hewlett Packard S.A.	USD	Between 1.450 and 5.564	2024	5,467	-	-	10,506	7,697	4,635	3,434	5,871	4,263
Hewlett Packard S.A.	USD	2.930	2025	8,549	-	-	16,316	11,168	6,253	6,837	10,063	4,331
Hewlett Packard S.A.	USD	Between 2.180 and 6.200	2021-2024	3,162	-	-	5,752	2,176	2,766	1,330	2,986	846
Infratech	USD	5.000	2020	66	-	-	-	37	-	37	-	-
CSI Renting	USD	Between 4.530 and 9.500	2021-2023	301	-	-	404	650	288	280	116	370
				<b>17,545</b>	<b>-</b>	<b>-</b>	<b>32,978</b>	<b>21,728</b>	<b>13,942</b>	<b>11,918</b>	<b>19,036</b>	<b>9,810</b>
<b>Total</b>				<b>1,200,831</b>	<b>2,989,968</b>	<b>3,477,509</b>	<b>7,016,507</b>	<b>5,249,871</b>	<b>1,773,620</b>	<b>386,266</b>	<b>5,242,887</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/1,268,400,000 as of December 31, 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\$20,198,000 equivalent to approximately S/73,196,000 as of December 31, 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/3,298,000 as of December 31, 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 context of the pandemic, in the quarter ended December 31, 2020, the EBITDA/interest expense covenant was 1.6, below the limit established by the bond Indenture, without this implying a breach of the obligations assumed by the Company. In the opinion of Management, this ratio will be regularized progressively as the quarantines are lifted.

All the other covenants from the bond issuance have been complied satisfactorily and are within the agreed limits as of December 31, 2020 and December 31, 2019.

- (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/1,449,600,000 as of December 31, 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\$3,512,000 equivalent to approximately S/12,748,000 as of December 31, 2020 (US\$4,852,000 equivalent to S/16,094,000 as of December 31, 2019). As of December 31, 2020, the balance of this loan is S/1,4236,872,000 (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/1,759,000 as of December 31, 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 December 31, 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/1,412,000 as of December 31, 2020 (S/1,486,000 as of December 31, 2019). Additionally, as of December 31, 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 December 31, 2020 the balance of this loan is S/135,588,000 (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/336,000 as of December 31, 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/731,000 as of December 31, 2020 (S/893,000 as of December 31, 2019).

As of December 31, 2020, InRetail Pharma S.A. amortized the debt for the amount of S/57,839,000 (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/748,000 as of December 31, 2020 (S/913,000 as of December 31, 2019).

As of December 31, 2020, InRetail Pharma S.A. amortized the debt for the amount of S/57,839,000 (S/34,704,000 as of December 31, 2019).

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

- (j) As of December 31, 2020, the disbursement of financial lease for the construction of the Puruchuco shopping center was completed, with Banco Scotiabank del Perú S.A.A., for a total amount of S/380,000,000 (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 5.899 percent after considering the respective initial charge of approximately S/4,622,000 as of December 31, 2020 (S/4,462,000 as of December 31, 2019).

- (k) In December 2020, through InRetail Consumer, the Company received a loan of US\$375,000,000 equivalent to S/1,359,000,000 as of December 31, 2020 (S/1,356,375,000 at the disbursement date) granted by JP Morgan Chase Bank NA with a maturity of one year and which bears an interest rate of LIBOR Rate plus a spread. Said loan was mainly used for the acquisition of Makro Supermayorista S.A. for an amount of US\$359,619,000. As of December 31, 2020, the unpaid balance is presented net of its structuring cost of S/1,344,679,000.
- (l) In May 2020, Real Plaza S.R.L. obtained a loan under the “Reactiva Perú” program with Banco de Crédito del Perú for the amount of S/10,000,000 that accrues a nominal annual interest of 1.48 percent maturing in 2023 including a grace period (non-capitalizable interest in the first year).
- (m) During the twelve-month periods ended December 31, 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 December 31, 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 December 31, 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	-	386,266
2021	1,773,620	195,951
2022	432,283	189,959
2023	1,687,245	1,479,875
2024	647,494	709,351
2025 onwards	2,475,865	2,288,469
<b>Total</b>	<b>7,016,507</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 December 31, 2020 and December 31, 2019, as well as the consolidated income statements for the twelve-month period ended December 31, 2020 and 2019 are shown below:

Statements of financial position	As of December 31, 2020		As of December 31, 2019	
	Assets S/(000)	Liabilities S/(000)	Assets S/(000)	Liabilities S/(000)
Supermercados Peruanos S.A.	-	47,262	-	80,108
Plaza Veá Oriente S.A.C.	3,758	-	2,379	-
Makro Supermayorista S.A.	-	11,713	-	-
Centro Comercial Estación Central S.A.	5	-	325	-
Inversiones Real Estate S.A.	-	632	-	631
Real Plaza S.R.L.	4,632	-	2,342	-
Inmobiliaria Puerta del Sol S.A.	-	35,284	-	42,801
IR Management S.R.L.	82	-	-	140
InRetail Pharma S.A.	25,882	-	-	5,143
Eckerd Amazonia S.A.C.	861	-	510	-
Boticas del Oriente S.A.C.	673	-	490	-
Química Suiza S.A.C.	-	48,915	-	39,108
Cifarma S.A.C.	852	-	715	-
Vanttive S.A.C.	46	-	28	-
Droguería InRetail Pharma S.A.C.	1,793	-	-	-
Quicorp S.A.	931	-	248	-
Quifatex S.A.	8,201	-	5,400	-
Vanttive Cia Ltda.	101	-	73	-
Farmacías Peruanas S.A.C.	136	-	-	-
Quimiza Ltda.	766	-	702	-
Química Suiza Colombia S.A.A. (formerly Quideca S.A.)	766	-	761	-
Mifarma S.A.C.	26,337	-	15,823	-
Mifarma S.A. (formerly Comercializadora Mifarma S.A.)	-	-	85	-
Albis S.A.C.	16,047	-	19,699	-
Jorsa de la Selva S.A.C.	1,495	-	1,760	-
Consolidation adjustment	489	325,893	592	297,657
<b>Total</b>	<b>93,853</b>	<b>469,699</b>	<b>51,932</b>	<b>465,588</b>

  

Statements of comprehensive income	Income tax for the twelve-month period ended December 31, 2020 and 2019	
	2020 S/(000)	2019 S/(000)
Current	(316,865)	(333,143)
Deferred	106,074	11,942
<b>Income tax expense</b>	<b>(210,791)</b>	<b>(321,201)</b>

- (b) As of December 31, 2020 and December 31, 2019, the provision for current income tax payable, net of advanced payments, amounts to approximately S/73,684,000 and S/21,282,000, respectively.

Also, as of December 31, 2020 and December 31, 2019, non-current income related to special purpose entity tax of S/326,683,000 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 December 31, 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 December 31, 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 December 31, 2020 and December 31, 2019.

#### (c) Treasury shares

As of December 31, 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, August and December 2020, InRetail Pharma S.A., subsidiary of the Company, distributed dividends to the non-controlling interest for an amount of S/27,186,000.

In December 2020, Supermercados Peruanos S.A., Subsidiary of the Company, distributed dividends to minority shareholders for an amount of S/19,000.

In December 2019, Supermercados Peruanos S.A., a Subsidiary of the Company, distributed dividends to minority shareholders for an amount of S/3,000.

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

Country	%
Peru	29.5
Ecuador	25.0
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 December 31, 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 2020	From 2016 to 2020
Boticas del Oriente S.A.C.	From 2015 to 2020	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 2020	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 2020	From 2015 to 2020
Inmobiliaria Puerta del Sol S.A.	From 2015 to 2020	From 2016 to 2020
InRetail Pharma S.A.	From 2015 to 2020	From 2015 to 2020
IR Management S.R.L.	From 2015 to 2020	From 2016 to 2020
Inversiones Real Estate S.A.	From 2015 to 2020	From 2016 to 2020
Jorsa de la Selva S.A.C.	From 2015 to 2020	From 2015 to 2020
Patrimonio Fideicomiso Mercantil de acciones Quifatex S.A.	From 2018 to 2019	From 2018 to 2019
Quicorp S.A.	From 2015 to 2020	From 2015 to 2020
Química Suiza Colombia S.A.S. (formerly Quideca S.A.)	From 2013 to 2020	From 2013 to 2020
Mifarma S.A.C.	From 2015 to 2020	From 2015 to 2020
Quifatex S.A.	From 2016 to 2020	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 2020	From 2016 to 2020
Quimiza Ltda.	From 2013 to 2020	From 2013 to 2020
Real Plaza S.R.L.	2015 and 2017 to 2020	From 2016 to 2020
Centro Comercial Estación Central S.A.	From 2015 to 2020	From 2016 to 2020
Superfarma Mayoristas S.A.C.	From 2016 to 2019	From 2016 to 2019
Supermercados Peruanos S.A.	From 2014 to 2020	From 2016 to 2020
Plaza Ve Oriente S.A.C.	From 2018 to 2020	From 2018 to 2020
Plaza Ve Sur S.A.C.	From 2014 to 2020	From 2016 to 2020
Desarrolladora de Strip Center S.A.C.	From 2013 to 2020	From 2016 to 2020
Farmacias Peruanas S.A.	From 2016 to 2018	From 2016 to 2018
Vantive Cía Ltda.	From 2016 to 2020	From 2016 to 2020
Vantive S.A.C.	From 2015 to 2020	From 2015 to 2020
Farmacias Peruanas S.A.C.	2020	2020
Droguería InRetail Pharma S.A.C.	From 2019 to 2020	From 2019 to 2020
Makro Supermayorista S.A.	From 2015 to 2020	From 2015 to 2020
InRetail Foods S.A.C.	2020	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 December 31, 2020 and December 31, 2019, the accrued income tax amounted to S/326,683,000 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.



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

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 December 31, 2020 and December 31, 2019.

- (f) As of December 31, 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.	39,395	55,494
Jorsa de la Selva S.A.C.	-	1,959
Quicorp S.A.	3,155	3,414
Vanttive S.A.C.	-	1
<b>Total</b>	<b>42,550</b>	<b>60,868</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 twelve-month period ended December 31, 2020 and 2019:

	2020	2019
	S/(000)	S/(000)
Cost of sales	10,240,703	9,121,810
Selling expenses	2,454,124	2,362,403
Administrative expenses	497,947	427,749
<b>Total</b>	<b>13,192,774</b>	<b>11,911,962</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
Acquisition of subsidiary	121,621	-	-	121,621
Purchase of goods	10,073,590	-	-	10,073,590
Final balance of goods, Note 6 (a)	(1,957,282)	-	-	(1,957,282)
Final balance of raw material, Note 6 (a)	(19,552)	-	-	(19,552)
Final balance of miscellaneous supplies, Note 6 (a)	(550)	-	-	(550)
Final balance of finished goods, Note 6 (a)	(455)	-	-	(455)
Impairment of inventories, Note 6 (c)	12,862	-	-	12,862
Factory overhead	30,122	-	-	30,122
Cost of services	171,068	-	-	171,068
Personnel expenses	-	951,267	328,748	1,280,015
Depreciation, Note 8 (d)	6,187	206,440	18,100	230,727
Depreciation from right-of-use asset, Note 12 (b)	11,906	286,950	7,366	306,222
Amortization, Note 10 (e)	419	56,902	17,165	74,486
Services provided by third parties (b)	-	402,785	82,040	484,825
Advertising	-	106,728	26	106,754
Packing and packaging	-	30,909	1,017	31,926
Rental of premises	-	28,544	46	28,590
Low value assets lease	1,151	19,136	9,652	29,939
Taxes	-	36,696	8,865	45,561
Provision for doubtful trade receivables, Note 5(g)	-	22,683	565	23,248
Recovery of provision for doubtful trade receivables, Note 5(g)	-	(1,741)	(32)	(1,773)
Provision for doubtful related receivables	-	576	-	576
Recovery of provision for doubtful related receivables	-	-	(32)	(32)
Provision for doubtful others receivables	-	1,697	-	1,697
Recovery of provision for doubtful others receivables	-	(303)	(89)	(392)
Insurance	-	22,018	1,620	23,638
Other charges (c)	-	282,837	22,890	305,727
<b>Total</b>	<b>10,240,703</b>	<b>2,454,124</b>	<b>497,947</b>	<b>13,192,774</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	8,933,636	-	-	8,933,636
Final balance of goods	(1,773,215)	-	-	(1,773,215)
Final balance of raw material	(15,204)	-	-	(15,204)
Final balance of miscellaneous supplies	(1,008)	-	-	(1,008)
Final balance of finished goods	(189)	-	-	(189)
Impairment of inventories, Note 6 (c)	8,192	-	-	8,192
Factory overhead	27,790	-	-	27,790
Cost of services	214,333	-	-	214,333
Personnel expenses	-	905,856	279,244	1,185,100
Depreciation, Note 8 (d)	4,330	202,632	18,906	225,868
Depreciation of right-of-use assets, Note 12 (b)	12,295	288,200	6,367	306,862
Amortization, Note 10 (e)	69	41,976	11,641	53,686
Services provided by third parties (b)	-	423,311	68,944	492,255
Advertising	-	139,512	67	139,579
Packing and packaging	-	42,302	172	42,474
Rental of premises	-	25,043	5,196	30,239
Taxes	-	43,952	10,470	54,422
Provision for doubtful trade receivables, Note 5(g)	-	9,018	61	9,079
Recovery of provision for doubtful trade receivables, Note 5(g)	-	(2,544)	-	(2,544)
Provision for doubtful related parties receivables	-	2,023	464	2,487
Provision for doubtful other receivables	-	455	-	455
Recovery of provision for doubtful other receivables	-	(157)	-	(157)
Insurance	-	20,533	1,725	22,258
Other charges (c)	-	220,291	24,492	244,783
<b>Total</b>	<b>9,121,810</b>	<b>2,362,403</b>	<b>427,749</b>	<b>11,911,962</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	302,322	298,937
Accrual of the structuring cost of financial obligations	17,316	15,627
Interest on lease liabilities, Note 12 (c)	97,317	97,076
Premium accrual "Call Spread"	22,097	19,935
Other financial costs	25,233	35,273
<b>Total</b>	<b>464,285</b>	<b>466,848</b>

(b) As of December 31, 2020 and December 31, 2019, there are interest payable for these obligations for approximately S/56,293,000 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 twelve-month period ended as of December 31, 2020 and 2019:

	2020 S/(000)	2019 S/(000)
<b>Income</b>		
Sales	30,832	4,241
Rental income	82,436	125,008
Rendering of services	16,252	15,859
Collection of commissions	9,146	15,233
Interest income	468	30,430
Sale of fixed assets	5	-
Other	55,901	52,276
<b>Total income</b>	<b>195,041</b>	<b>243,047</b>
<b>Expenses</b>		
Renting of premises and land	1,939	183
Reimbursement of expenses	2,349	1,223
Commissions	3,380	524
Interest	233	8,355
Other	25,926	11,935
<b>Total expenses</b>	<b>33,827</b>	<b>22,220</b>
(Loss) gain from joint ventures	<b>(2,195)</b>	<b>33,422</b>

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

	As of December 31, 2020 S/(000)	As of December 31, 2019 S/(000)
<b>Receivables</b>		
Homecenters Peruanos S.A. (f)	32,524	32,269
Financiera Oh! S.A.	29,547	9,095
Tiendas Peruanas S.A.	8,964	9,649
Tiendas Peruanas Oriente S.A.C. (d)	6,575	6,991
Cineplex S.A.	3,841	613
Banco Internacional del Perú S.A.A.-Interbank	4,127	2,059
Bembos S.A.C.	751	751
Interseguro Compañía de Seguros S.A.	314	1,154
Intercorp Retail Inc. (g)	223	226
Other	18,192	17,728
<b>Total</b>	<b>105,058</b>	<b>80,535</b>
Current	78,494	50,283
Non-current	26,564	30,252
<b>Total</b>	<b>105,058</b>	<b>80,535</b>

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

	As of December 31, 2020 S/(000)	As of December 31, 2019 S/(000)
<b>Payables</b>		
Homecenters Peruanos S.A. (i)	40,314	42,908
Financiera Oh! S.A. (h)	18,676	23,011
Banco Internacional del Perú S.A.A. – Interbank:	-	-
Guarantee deposit (e)	3,393	6,634
Tiendas Peruanas S.A.	1,512	643
Inmobiliaria Milenia S.A.	254	1,151
Intercorp Retail Inc.	24	22
Other	3,174	2,782
<b>Total</b>	<b>67,347</b>	<b>77,151</b>
Remunerations payable to key management	-	-
<b>Total</b>	<b>67,347</b>	<b>77,151</b>
Current	24,830	36,891
Non-current	42,517	40,260
<b>Total</b>	<b>67,347</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 December 31, 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 December 31, 2020, the Company collected S/8,225,000 as amortization of the loan.

(e) During 2020, Supermercados Peruanos S.A. renewed the contracts with Banco Internacional del Perú to rent financial modules located within our stores for an amount of S/3,393,000 (US\$2,000,000 as of December 31, 2019). As of December 31, 2020 and December 31, 2019, the net present value of the balances related to the guarantee deposits amounted to S/3,393,000 and S/6,634,000, respectively.

(f) Corresponds mainly to an account receivable from Homecenters Peruanos S.A. for an amount of S/26,564,000. 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/5,960,000, 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 first quarter of 2021.

(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.

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

- (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 December 31, 2020 and December 31, 2019, the InRetail Group holds accounts payables to Financiera Oh! S.A for S/18,222,000 and S/23,011,000, respectively, which correspond mainly to the collection of installments from users of the Oh! Credit card S/17,271,000 and S/2,814,000 as of December 31, 2020 and December 31, 2019.
- (i) As of December 31, 2020 mainly includes contributions from the affiliate Homecenters Peruanos S.A. (hereinafter “The associate”) for approximately S/39,124,000 (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/101,963,000 and US\$50,000 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 twelve-month period ended December 31, 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 December 31, 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.
- (l) The compensation of key management personnel of the InRetail Group for the twelve-month period ended December 31, 2020 and 2019, is detailed below:

	<b>2020</b>	<b>2019</b>
	S/(000)	S/(000)
Short term employee benefits	63,625	45,238
Insurance and medical benefits	1,695	1,109
Employment benefits for contract termination	4,523	2,191
<b>Total</b>	<b>69,843</b>	<b>48,538</b>

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

- (m) As of December 31, 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:

	As of December 31, 2020	As of December 31, 2019
	S/(000)	S/(000)
<b>Cash and short-term deposits</b>		
Banco Internacional del Peru – Interbank S.A.A.	236,070	332,284
Inteligo Bank Ltd.	824	1,514
<b>Investments at fair value through profit or loss</b>		
Interfondos S.A. Sociedad Administradora de Fondos SAF	8,301	1,655
Fondos Sura SAF S.A.C.	195,876	20,360
Corporate Bond Colegios Peruanos	24,624	-

### 20. Earnings per share

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

The following reflects basic and diluted earnings per share computations:

	Ordinary shares		
	Outstanding shares	Effective days until period-end	Weighted average of shares
Number as of January 1, 2019	102,807,319	360	102,807,319
Number as of December 31, 2019	102,807,319		102,807,319
Number as of January 1, 2020	102,807,319	360	102,807,319
Number as of December 31, 2020	102,807,319		102,807,319
	<b>For the twelve-month period ended December 31, 2020</b>		
	<b>Net income (numerator)</b>	<b>Shares (denominator)</b>	<b>Earnings per share</b>
	S/		S/
Basic and diluted earnings per share	339,351,000	102,807,319	3.301
	<b>For the twelve-month period ended December 31, 2019</b>		
	<b>Net income (numerator)</b>	<b>Shares (denominator)</b>	<b>Earnings per share</b>
	S/		S/
Basic and diluted earnings per share	596,838,000	102,807,319	5.805

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 December 31, 2020 the Company and its Subsidiaries agreed with several financial entities on the issuance of solidary and irrevocable letters of guarantee for approximately S/63,095,000, US\$6,785,000, and B\$104,000 (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) InRetail Pharma S.A., Albis S.A.C., Química Suiza S.A.C., Mifarma S.A.C., Jorsa de la Selva S.A.C. and Cifarma S.A.C. maintain various claims for civil, labor and tax processes for an approximate total amount of S/75,983,000. In the opinion of Management and its legal advisors, said processes should be resolved favorably for these components, in opinion of Management, it is not necessary to record additional liabilities for these items as of December 31, 2020 and 2019.
- (b) Eckerd Amazonía S.A.C. is in the process of claiming against the Tax Authority for determinations of debts and fines related to VAT for the period between January 2003 and September 2005 for an approximate amount of S/17,698,000. In opinion of Management and its legal advisors these contingencies are stated as possible, and significant liabilities will not arise as result of this contingency as of December 31, 2020 and December 31, 2019.
- (c) Supermercados Peruanos S.A. has been examined by the Tax Authority of Income Tax returns and monthly Value Added Tax returns for the years 2004 to 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 December 31, 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 food retail segment operates supermarkets, hypermarkets, discount stores and cash and carry stores nationwide.
- The pharmacies segment is a nationwide supplier of drugs, medicines and cosmetic related products through the chain of pharmacies named "Inkafarma" and "Mifarma".
- The 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 December 31, 2020 and December 31, 2019 and for the twelve-month period ended December 31, 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 December 31, 2020 and December 31, 2019 and for the twelve-month period ended December 31, 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 twelve-month period ended December 31, 2020 and 2019

	Food Retail 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 twelve-month period ended December 31, 2020</b>							
<b>Revenue</b>							
External income	6,904,495	5,293,952	1,865,173	329,796	14,393,416	15,988	14,409,404
Inter-segment	12,288	39,062	659,932	55,254	766,536	(766,536)	-
<b>Total revenue</b>	<b>6,916,783</b>	<b>5,333,014</b>	<b>2,525,105</b>	<b>385,050</b>	<b>15,159,952</b>	<b>(750,548)</b>	<b>14,409,404</b>
Cost of sales	(5,117,399)	(3,415,688)	(1,551,768)	(151,022)	(10,235,877)	(4,826)	(10,240,703)
Inter-segment	(1,390)	(28,526)	(658,303)	(506)	(688,725)	688,725	-
<b>Gross profit</b>	<b>1,797,994</b>	<b>1,888,800</b>	<b>315,034</b>	<b>233,522</b>	<b>4,235,350</b>	<b>(66,649)</b>	<b>4,168,701</b>
Join venture loss	(2,195)	-	-	-	(2,195)	-	(2,195)
Loss on valuation at fair value of investment properties	(15,458)	-	-	(82,748)	(98,206)	13,686	(84,520)
Selling expenses	(1,206,935)	(1,062,312)	(174,375)	(19,571)	(2,463,193)	9,069	(2,454,124)
Administrative expenses	(160,652)	(214,081)	(75,363)	(31,117)	(481,213)	(16,734)	(497,947)
Other operating (expenses) income, net	(9,452)	9,817	(334)	(710)	(679)	(684)	(1,363)
<b>Operating profit</b>	<b>403,302</b>	<b>622,224</b>	<b>64,962</b>	<b>99,376</b>	<b>1,189,864</b>	<b>(61,312)</b>	<b>1,128,552</b>
Exchange difference, net	(75,695)	(43,857)	(652)	(15,509)	(135,713)	11,543	(124,170)
Finance income	2,816	102,463	94,981	32,657	232,917	(222,872)	10,045
Finance costs	(148,442)	(182,529)	(17,219)	(154,056)	(502,246)	37,961	(464,285)
<b>Profit before income tax</b>	<b>181,981</b>	<b>498,301</b>	<b>142,072</b>	<b>(37,532)</b>	<b>784,822</b>	<b>(234,680)</b>	<b>550,142</b>
Income tax expense	(62,418)	(124,193)	(17,153)	8,552	(195,212)	(15,579)	(210,791)
<b>Profit for the period</b>	<b>119,563</b>	<b>374,108</b>	<b>124,919</b>	<b>(28,980)</b>	<b>589,610</b>	<b>(250,259)</b>	<b>339,351</b>
<b>Attributable to:</b>							
Owners of the parent	119,563	374,108	124,919	(28,980)	589,610	(286,960)	302,650
Non-controlling interests	-	-	-	-	-	36,701	36,701
<b>Profit for the period</b>	<b>119,563</b>	<b>374,108</b>	<b>124,919</b>	<b>(28,980)</b>	<b>589,610</b>	<b>(250,259)</b>	<b>339,351</b>

Notes to the interim consolidated financial statements (continued)

	Food Retail 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 twelve-month period ended December 31, 2019</b>							
<b>Revenue</b>							
External income	5,751,177	5,032,956	1,784,439	488,192	13,056,764	12,848	13,069,612
Inter-segment	11,244	1,105	680,403	54,758	747,510	(747,510)	-
<b>Total revenue</b>	<b>5,762,421</b>	<b>5,034,061</b>	<b>2,464,842</b>	<b>542,950</b>	<b>13,804,274</b>	<b>(734,662)</b>	<b>13,069,612</b>
Cost of sales	(4,246,827)	(3,235,241)	(1,461,062)	(175,301)	(9,118,431)	(3,379)	(9,121,810)
Inter-segment	-	-	(660,795)	(623)	(661,418)	661,418	-
<b>Gross profit</b>	<b>1,515,594</b>	<b>1,798,820</b>	<b>342,985</b>	<b>367,026</b>	<b>4,024,425</b>	<b>(76,623)</b>	<b>3,947,802</b>
Join Venture gain	33,422	-	-	-	33,422	-	33,422
Gain on valuation at fair value of investment properties	7,117	-	-	176,786	183,903	(26,745)	157,158
Selling expenses	(1,113,595)	(1,072,734)	(200,139)	(9,394)	(2,395,862)	33,459	(2,362,403)
Administrative expenses	(141,867)	(170,528)	(70,211)	(32,185)	(414,791)	(12,958)	(427,749)
Other operating (expenses) income, net	(13,981)	2,754	4,016	47	(7,164)	3,500	(3,664)
<b>Operating profit</b>	<b>286,690</b>	<b>558,312</b>	<b>76,651</b>	<b>502,280</b>	<b>1,423,933</b>	<b>(79,367)</b>	<b>1,344,566</b>
Exchange difference, net	13,243	9,423	(865)	2,494	24,295	(3,463)	20,832
Finance income	2,487	125,489	52,710	31,300	211,986	(192,497)	19,489
Finance costs	(142,121)	(199,578)	(20,700)	(149,666)	(512,065)	45,217	(466,848)
<b>Profit before income tax</b>	<b>160,299</b>	<b>493,646</b>	<b>107,796</b>	<b>386,408</b>	<b>1,148,149</b>	<b>(230,110)</b>	<b>918,039</b>
Income tax expense	(59,633)	(140,347)	(19,515)	(120,042)	(339,537)	18,336	(321,201)
<b>Profit for the period</b>	<b>100,666</b>	<b>353,299</b>	<b>88,281</b>	<b>266,366</b>	<b>808,612</b>	<b>(211,774)</b>	<b>596,838</b>
<b>Attributable to:</b>							
Owners of the parent	100,666	353,299	88,281	266,366	808,612	(250,039)	558,573
Non-controlling interests	-	-	-	-	-	38,265	38,265
<b>Profit for the period</b>	<b>100,666</b>	<b>353,299</b>	<b>88,281</b>	<b>266,366</b>	<b>808,612</b>	<b>(211,774)</b>	<b>596,838</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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 December 31, 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 twelve-month period ended December 31, 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 December 31, 2020, the end of period exchange rates in the market for transactions in US Dollars were S/3.618 per US\$1.00 bid and S/3.624 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 December 31, 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\$)	0.276	0.302
Bolivianos (B\$)	1.921	2.029
Colombian Peso (\$)	947.158	990.246

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

	As of December 31, 2020			As of December 31, 2019		
	US\$(000)	B\$ (000)	\$ (000)	US\$(000)	B\$ (000)	\$ (000)
<b>Assets</b>						
Cash and short-term deposits	32,755	18,278	621,811	14,789	6,669	679,864
Investments at fair value through profit or loss	8,928	-	-	2,827	-	-
Trade receivables, net	57,870	47,684	9,054,828	52,922	45,088	9,833,962
Other accounts receivables, net	4,676	4,732	-	5,429	4,632	-
Accounts receivable from related parties	1,773	-	-	2,577	-	-
<b>Total assets</b>	<b>106,002</b>	<b>70,694</b>	<b>9,676,639</b>	<b>78,544</b>	<b>56,389</b>	<b>10,513,826</b>
<b>Liabilities</b>						
Trade payables	(119,432)	(16,909)	(4,310,221)	(92,883)	(28,498)	(5,484,008)
Other payables	(16,364)	(8,111)	-	(18,901)	(13,089)	-
Accounts payable to related parties	(1,347)	-	-	(2,781)	-	-
Lease liability	(277,872)	(1,983)	-	(239,720)	(2,506)	-
Interest - bearing loans and borrowings	(1,144,395)	-	(2,989,968)	(780,516)	-	(3,600,000)
<b>Total Liabilities</b>	<b>(1,559,410)</b>	<b>(27,003)</b>	<b>(7,300,189)</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>(703,408)</b>	<b>43,691</b>	<b>2,376,450</b>	<b>(306,257)</b>	<b>12,296</b>	<b>1,429,818</b>

As of December 31, 2020 and December 31, 2019, InRetail Pharma S.A. and InRetail Shopping Malls, Subsidiaries of the Company, reduced their 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.

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

### 26. Subsequent event

- (a) On January 26, 2021, the government of Peru announced new quarantine measures for the country to contain the virus, applying different measures in each region according to four different alert levels: extremely, very high, high and moderate. Measures were initially applicable for 15 days, from January 31, 2021 to February 15, 2021, but were extended to February 28, 2021. In this context, shopping centers in extreme risk regions were only allowed to operate essential retail and e-commerce. Shopping centers in other risk level regions were allowed to operate non-essential retail, but maximum visitor capacity was reduced to levels between 20% and 60%.

On February 24, 2021, the government of Peru announced the lifting of the quarantine measures in the country from March 1, 2021 to March 14, 2021. During this period, all shopping centers will be allowed to operate both essential and non-essential retail, but with restrictions on maximum visitor capacity between 20% and 60% which varies depending on the tenant and risk level in each region.

The Company and its Subsidiaries operate mainly in the supermarkets, pharmacies and shopping centers; the first two business segments are considered essential, so the Company and its Subsidiaries consider that the pandemic will only have a significant impact on the shopping center segment of the consolidated financial statements.

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

- (b) At the General Shareholders' Meeting on February 15, 2021, the merger of Supermercados Peruanos S.A. and InRetail Foods S.A.C. was agreed.
- (c) In January and February 2021, InRetail Pharma S.A.C. transferred, 100 percent of the shares that it held in Química Suiza Colombia S.A.S. and Cifarma S.A.C for S/7,092,000 and S/34,310,000, respectively, to unrelated third parties.

### 27. Additional explanation for English translation

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