

InRetail Perú Corp. and Subsidiaries

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

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Interim consolidated statements of financial position

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

	Note	2020	2019		Note	2020	2019
		S/(000)	S/(000)			S/(000)	S/(000)
Assets				Liabilities and equity			
Current assets				Current liabilities			
Cash and short-term deposits	4	862,258	740,166	Trade payables	11	2,906,604	2,946,832
Investments at fair value through profit or loss		22,505	22,015	Other payables		456,390	470,386
Trade receivables, net	5	556,345	580,994	Accounts payable to related parties	19(b)	27,319	36,891
Other receivables, net		91,992	83,833	Current income tax	14(b)	19,633	21,282
Accounts receivables from related parties	19(b)	54,052	50,283	Interest-bearing loans and borrowings	13	616,345	386,266
Inventories, net	6	1,899,786	1,835,047	Deferred revenue		12,522	10,990
Prepayments		27,152	14,831	Lease liability	12(c)	261,363	306,145
Taxes recoverable		115,188	101,483	Total current liabilities		4,300,176	4,178,792
Total current assets		3,629,278	3,428,652				
Non-current assets				Non current liabilities			
Other receivables, net		46,355	44,937	Trade payables	11	16,863	16,258
Accounts receivables from related parties	19(b)	29,943	30,252	Accounts payable to related parties	19(b)	39,871	40,260
Taxes recoverable		19,333	17,308	Other payables		1,680	1,424
Derivative financial instruments	7	181,108	130,913	Interest-bearing loans and borrowings	13	4,929,245	4,863,605
Property, furniture and equipment, net	8	3,609,731	3,602,925	Income tax related to Special Purpose Entities	14(b)	338,980	318,848
Investment properties	9	3,936,552	3,879,572	Deferred revenue		32,524	35,696
Right-of-use assets, net	12(b)	1,363,406	1,402,882	Deferred income tax liabilities, net	14(a)	451,590	465,588
Intangible assets, net	10	3,146,707	3,156,805	Reserves for employee retirement pension funds		21,006	19,865
Deferred income tax assets, net	14(a)	68,065	51,932	Lease liability	12(c)	1,146,635	1,096,135
Other assets		7,210	7,208	Total non-current liabilities		6,978,394	6,857,679
Total non-current assets		12,408,410	12,324,734	Total liabilities		11,278,570	11,036,471
Total assets		16,037,688	15,753,386	Equity			
				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		(51,542)	(13,076)
				Unrealized results from foreign currency translation		484	(208)
				Unrealized results from actuarial reserve for retirement		415	415
				Retained earnings		2,160,188	2,076,035
				Equity attributable to owners of the parent		4,663,442	4,617,063
				Non-controlling interest		95,676	99,852
				Total equity		4,759,118	4,716,915
				Total liabilities and equity		16,037,688	15,753,386

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated Income statements

For the three-month period ended March 31, 2020 and 2019

	Note	2020 S/(000)	2019 S/(000)
Net sales of goods		3,198,547	3,065,026
Rental income		114,149	105,788
Rendering of services		93,726	78,622
Revenue		3,406,422	3,249,436
Cost of sales	18(a)	(2,413,554)	(2,296,325)
Gross profit		992,868	953,111
Income from joint venture	19(a)	5,634	11,348
Gain on valuation at fair value of investment properties	9(b)	4,369	2,492
Selling expenses	17(a)	(601,348)	(594,977)
Administrative expenses	17(a)	(111,703)	(112,650)
Other operating expenses, net		3,062	(1,216)
Operating profit		292,882	258,108
Financial income		4,576	4,478
Financial expenses	18(a)	(109,898)	(114,226)
Exchange difference, net		(45,377)	13,629
Profit before income tax		142,183	161,989
Income tax expense	14(a)	(50,026)	(55,740)
Net profit (loss)		92,157	106,249
Attributable to:			
InRetail Perú Corp. Shareholders		84,153	97,275
Non-controlling interest		8,004	8,974
Net profit		92,157	106,249
Earnings per share:			
Basic and diluted profit for the period attributable to ordinary equity holders of the parent	20	0.896	1.033

All items above are related to continuing operations.

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statements of comprehensive income
For the three-month period ended March 31, 2020 and 2019

	2020 S/(000)	2019 S/(000)
Profit for the period	92,157	106,249
Other comprehensive income		
Unrealized gain on investments at fair value through equity	-	237
Total other comprehensive income on investments at fair value through equity	<u>-</u>	<u>237</u>
Unrealized gain (loss) on hedging derivative financial instrument	(39,422)	40,772
Income tax related to Special Purpose Entities	(7,561)	(298)
Income tax	6,501	(5,447)
Total other comprehensive income on hedging derivative financial instruments	<u>(40,482)</u>	<u>35,027</u>
Unrealized results from foreign currency translation	795	(24)
Total other comprehensive income from foreign currency translation	<u>795</u>	<u>(24)</u>
Other comprehensive income for the period, net of income tax effects	<u>(39,687)</u>	<u>35,240</u>
Total comprehensive income for the period	<u>52,470</u>	<u>141,489</u>
Attributable to:		
InRetail Perú Corp. shareholders	46,379	130,828
Non-controlling interest	6,091	10,661
Total comprehensive income for the period	<u>52,470</u>	<u>141,489</u>

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statements of change in equity

For the three-month period ended March 31, 2020 and 2019

	Capital stock S/(000)	Treasury shares S/(000)	Capital premium S/(000)	Unrealized results			Retained earnings S/(000)	Total S/(000)	Non- controlling interest S/(000)	Total equity S/(000)	
				From derivative financial instruments S/(000)	From investment to fair value through equity S/(000)	From foreign currency translation S/(000)					From actuarial reserve for retirement S/(000)
Balance as of January 1, 2019	2,138,566	(57,636)	472,967	(40,028)	153	5	-	1,626,564	4,140,591	77,643	4,218,234
First adoption IFRS 16 effect	-	-	-	-	-	-	-	4,726	4,726	703	5,429
Balance as of January 1, 2019, after IFRS 16	2,138,566	(57,636)	472,967	(40,028)	153	5	-	1,631,290	4,145,317	78,346	4,223,663
Profit for the period	-	-	-	-	-	-	-	97,275	97,275	8,974	106,249
Other comprehensive income	-	-	-	33,337	237	(21)	-	-	33,553	1,687	35,240
Total comprehensive income	-	-	-	33,337	237	(21)	-	97,275	130,828	10,661	141,489
Dividends	-	-	-	-	-	-	-	(115,640)	(115,640)	-	(115,640)
Dividends treasury shares	-	-	-	-	-	-	-	1,976	1,976	-	1,976
Balance as of March 31, 2019	2,138,566	(57,636)	472,967	(6,691)	390	(16)	-	1,614,901	4,162,481	89,007	4,251,488
Balance as of January 1, 2020	2,138,566	(57,636)	472,967	(13,076)	-	(208)	415	2,076,035	4,617,063	99,852	4,716,915
Profit for the period	-	-	-	-	-	-	-	84,153	84,153	8,004	92,157
Other comprehensive income	-	-	-	(38,466)	-	692	-	-	(37,774)	(1,913)	(39,687)
Total comprehensive income	-	-	-	(38,466)	-	692	-	84,153	46,379	6,091	52,470
Dividends	-	-	-	-	-	-	-	-	-	(10,267)	(10,267)
Balance as of March 31, 2020	2,138,566	(57,636)	472,967	(51,542)	-	484	415	2,160,188	4,663,442	95,676	4,759,118

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

InRetail Perú Corp. and Subsidiaries

Interim consolidated statements of cash flows

For the three-month period ended March 31, 2020 and 2019

	2020	2019
	S/(000)	S/(000)
Operating activities		
Revenue	3,423,807	3,245,277
Recovery of taxes	11,846	21,240
Payments of goods and services to suppliers	(2,782,426)	(2,711,450)
Payments of salaries and social benefits to employees	(307,350)	(296,001)
Taxes paid	(78,372)	(95,565)
Other payments, net	(8,112)	(4,669)
Net cash flows from operating activities	259,393	158,832
Investing activities		
Sale of property, furniture and equipment	2,564	451
Loans collected from related parties	-	2,010
Sale of investments at fair value through profit or loss	69,916	17,201
Purchase of investments at fair value through profit or loss	(69,439)	-
Purchase of investment properties, net of acquisition,s through leasing contracts	(37,632)	(36,839)
Purchase of property, furniture and equipment, net of acquisitions, through leasing contracts	(57,692)	(118,945)
Value added tax payment related to investment properties	(35,787)	(5,981)
Payment of key money	(223)	-
Loans granted to related parties	-	(73)
Purchase and development of intangible assets	(7,466)	(4,010)
Net cash flows used in investing activities	(135,759)	(146,186)
Financing activities		
Proceeds from interest-bearing loans and borrowings, net of up-front fees	821,017	245,442
Repayment of interest-bearing loans and borrowings	(648,718)	(108,758)
Payment of dividends	(10,267)	-
Interest paid	(74,871)	(25,738)
Interest payment of lease liability	(21,933)	(21,950)
Payment of lease liability	(66,770)	(55,117)
Net cash flows (uses) from financing activities	(1,542)	33,879
Net increase of cash and short-term deposits	122,092	46,525
Cash and short-term deposits at the beginning of the period	740,166	642,838
Cash and short-term deposits at the end of the period	862,258	689,363
Non-cash transactions		
Fixed assets purchased through leasing and other financial and non financial obligations	8,700	-
Investment properties purchased through leasing and other financial obligations	14,979	23,482
Initial record of right-of-use asset	-	1,397,636
Addition of the period of right-of-use asset	44,443	6,026

The accompanying notes are an integral part of these consolidated statements

Notes to the interim consolidated financial statements (continued)

InRetail Perú Corp. and Subsidiaries

Notes to the interim consolidated financial statements

As of March 31, 2020 and December 31, 2019 and for the three-month period ended March 31, 2020 and 2019

1. Business activity and Quicorp Group acquisition

a) Business activity

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

As of March 31, 2020 the percentages of ownership are:

Owner	Ownership %
Intercorp Retail Inc.	58.04
Inteligo Bank	9.55
Intercorp Perú Ltd.	3.26
Intercorp Financial Services	2.33
Others	26.82
Total	100.00

The Company's legal address is 50 Street and 74 Street, floor 16, PH Building, San Francisco, Republic of Panama; however, its management and administrative offices are located at Calle Morelli N° 181, San Borja, Lima, 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 March 31, 2020 and December 31, 2019 and for the three-month period ended March 31, 2020 and 2019, were approved by the Board of Directors on May 14, 2020.

Notes to the interim consolidated financial statements (continued)

b) Quicorp Group acquisition and reorganization

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

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

2. Subsidiary activities

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

(a) InRetail Consumer (a SPE controlled by the Company), was incorporated during the year 2014 only for the purpose of offering “Senior Notes Unsecured”. As of March 31, 2020 and December 31, 2019 the representative shares of stock of Supermercados Peruanos S.A. and Subsidiaries and InRetail Pharma S.A. and Subsidiaries are maintained in trust in this entity. A description of such subsidiaries is presented below:

(i) InRetail Pharma S.A. is dedicated to the commercialization of pharmaceutical, cosmetic, and food for medical use products and other elements related to health protection and recovery through its “Inkafarma” and “Mifarma” pharmacy chains. It is also dedicated, to the Manufacturing, Distribution and Marketing of pharmaceutical products. As of March 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. and (ii) Boticas del Oriente S.A.C. and (iii) hold 73.21 percent of Quicorp S.A. See Note 1 b).

(ii) Supermercados Peruanos S.A., is dedicated to retail. As of March 31, 2020 and December 31, 2019, has a chain of stores operating under the “Plaza Veá”, “Plaza Veá Super”, “Plaza Veá Express”, “Vivanda”, “Mass”, “Mimarket” and “Economax” brands, which are located in Lima and provinces, such as Trujillo, Chimbote, Piura, Cusco, Arequipa, Huancayo, Pucallpa and others. Supermercados Peruanos S.A. holds 100 percent of: (i) Desarrolladora de Strip Centers S.A.C., (ii) Plaza Veá Sur S.A.C., and (iii) Plaza Veá Oriente S.A.C.

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.

Notes to the interim consolidated financial statements (continued)

- (b) InRetail Real Estate Corp. is a Holding company incorporated in the Republic of Panama in April 2012. In July 2014, InRetail Shopping Malls (a SPE controlled by InRetail Real Estate Corp.) was incorporated only for the purpose of issuing “Senior Notes Unsecured”. As of March 31, 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 March 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 March 31, 2020 and December 31, 2019, the Company holds 100 percent of Centro Comercial Estación Central S.A. and Inversiones Real Estate S.A.

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

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

- (c) IR Management S.R.L. is an entity that manages and operates the Companies of the group and provides other corporate services.

3. Basis of preparation and presentation

- (a) Interim financial statements

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

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.

Notes to the interim consolidated financial statements (continued)

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

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

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

(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 combined financial statements are consistent with those followed in the preparation of the Companies annual combined 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 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 short-term deposits

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

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Cash (b)	68,534	73,629
Current accounts (c)	479,487	616,920
Time deposits (d)	296,491	18,278
Remittances in transit	17,746	31,339
Total	862,258	740,166

(b) As of March 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 0.90 and 2.10 percent in local currency and between 0.10 and 4.37 percent annual in US Dollars as of March 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 March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Invoices (c)	552,190	557,257
Retail sales (e)	24,300	39,921
Provision for accrued revenue (f)	10,200	20,620
Rent receivable (d)	25,835	16,638
Others	5,098	5,525
Total	617,623	639,961
Provision for doubtful accounts (g)	(61,278)	(58,967)
Total	556,345	580,994

Notes to the interim consolidated financial statements (continued)

- (b) Trade receivables are denominated in the currency of each country and US Dollars, have current maturity and do not bear interest.
- (c) Corresponds mainly to (i) pending deposits in favor of Supermercados Peruanos and InRetail Pharma Group for the last day of the month, respectively, held by credit card operators and originated from the sales of goods with credit cards in the different stores of Supermercados Peruanos S.A. and InRetail Pharma Group, and (ii) trade accounts receivable from corporate sales.
- (d) Corresponds to accounts receivable for the lease of commercial premises to concession holders inside the stores of Supermercados Peruanos S.A. and the accounts receivable for the rental income of Interproperties Holding.
- (e) Correspond mainly to the balance receivable from the sale of goods to public institutions and various local and foreign companies. At the date of this report, these balances were mostly collected.
- (f) As of March 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 three-month period ended March 31, 2020 and 2019, were as follows:

	2020	2019
	S/(000)	S/(000)
Balance at the beginning of the year	58,967	64,596
Provision recognized as expense, Note 17 (a)	2,760	7,792
Recoveries, Note 17 (a)	(827)	(5,143)
Write-offs	-	(640)
Exchange rate	-	(296)
Foreign currency translation	378	(1)
Balance as of March 31	61,278	66,308
Balance as of December 31, 2019		58,967

As of March 31, 2020 and December 31, 2019, the amount of trade receivables past due but non-impaired amounted to approximately S/138,334,000 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 March 31, 2020 and December 31, 2019, appropriately covers the credit risk of this item at those dates.

Notes to the interim consolidated financial statements (continued)

6. Inventories, net

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

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Goods, Note 17 (a)	1,834,445	1,773,215
Goods in transit (b)	66,974	55,732
Raw material, Note 17 (a)	13,272	15,204
Miscellaneous supplies	5,306	5,045
Miscellaneous supplies for manufacture, Note 17 (a)	533	1,008
Finished goods, Note 17 (a)	-	189
Total	1,920,530	1,850,393
Minus		
Provision for impairment of inventories (c)	(20,744)	(15,346)
Total	1,899,786	1,835,047

- (b) Correspond to goods and miscellaneous supplies imported by the InRetail Group in order to satisfy customers demand in its stores.
- (c) The movement in the provision for inventory impairment for the three-month period ended March 31, 2020 and 2019, was as follows:

	2020 S/(000)	2019 S/(000)
Balance at the beginning of the year	15,346	12,603
Provision of the period, Note 17 (a)	5,293	6,320
Recoveries	-	(25)
Foreign currency translation	105	(43)
Balance as of March 31	20,744	18,855
Balance as of December 31, 2019		15,346

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

Notes to the interim consolidated financial statements (continued)

7. Derivative financial instruments

As of March 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	Due	Pay fix at	Book value of the hedged item	Fair value 2020	Fair value 2019
	US\$(000)		%	S/(000)	S/(000)	S/(000)
J.P. Morgan (a)	350,000	April 2028	1.05	1,204,700	92,609	67,405
Citibank N.A. (a)	400,000	May 2023	2.38	1,376,800	88,499	63,508
Total					181,108	130,913

- (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 March 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 March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Cost								
Initial balance	969,377	2,336,785	1,276,511	4,132	207,788	313,809	5,108,402	4,821,876
Additions (b)	134	18,225	27,100	154	2,754	18,025	66,392	444,255
Disposals and/or sales (c)	(640)	(4,763)	(24,906)	(781)	(740)	(462)	(32,292)	(112,986)
Transfer to intangible assets, Note 10 (a)	-	-	-	-	-	(166)	(166)	(654)
Transfer	-	83,764	221	-	210	(84,195)	-	-
Transfer to investment properties, Note 9(b)	-	-	-	-	-	-	-	(43,083)
Foreign currency translation	-	143	1,537	(14)	461	2	2,129	(1,006)
Final balance	968,871	2,434,154	1,280,463	3,491	210,473	247,013	5,144,465	5,108,402
Accumulated depreciation								
Initial balance	-	597,508	787,055	2,469	118,445	-	1,505,477	1,385,909
Additions (d)	-	22,355	28,753	77	4,730	-	55,915	225,868
Disposals and/or sales (c)	-	(2,453)	(24,627)	(37)	(1,136)	-	(28,253)	(105,339)
Transfer to investment properties, Note 9(b)	-	-	-	-	-	-	-	(45)
Foreign currency translation	-	106	1,164	(14)	339	-	1,595	(916)
Final balance	-	617,516	792,345	2,495	122,378	-	1,534,734	1,505,477
Net book value	968,871	1,816,638	488,118	996	88,095	247,013	3,609,731	3,602,925

Notes to the interim consolidated financial statements (continued)

- (b) Additions for the three-month period ended March 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 disposals of unusable assets as a result of the process of change of format in some premises and pharmacies closures. The resulting income or expense has been included in the "Other operating income" or "Other operating expenses" caption of the consolidated income statement, respectively.
- (d) Depreciation expense for the three-month period ended March 31, 2020 and 2019, was recorded as follows in the income statement:

	2020	2019
	S/(000)	S/(000)
Cost of sales, Note 17 (a)	1,468	1,005
Sales expenses, Note 17 (a)	50,017	49,958
Administrative expenses, Note 17 (a)	4,430	5,116
	<u>55,915</u>	<u>56,079</u>
Balance as of March 31		
Balance as of December 31, 2019		<u>225,868</u>

- (e) As of March 31, 2020 and December 31, 2019, Supermercados Peruanos S.A. has mortgaged land, buildings and facilities for a net book value of S/701,861,000 (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 March 31, 2020 and December 31, 2019, the cost and corresponding accumulated depreciation of assets acquired through finance leases amounted to approximately S/662,019,000 and S/273,176,000, 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 March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Real Plaza Puruchuco Shopping Mall	608,462	593,831
Real Plaza Salaverry Shopping Mall (i)	449,124	448,027
Real Plaza Chiclayo Shopping Mall	270,356	266,578
Real Plaza Cusco Shopping Mall (i)	278,257	256,541
Real Plaza Primavera Shopping Mall	240,079	239,885
Real Plaza Piura Shopping Mall	235,853	235,634
Real Plaza Trujillo Shopping Mall	217,765	217,479
Real Plaza Centro Civico Shopping Mall (i)	205,655	202,885
Real Plaza Huancayo Shopping Mall (i)	142,180	142,119
Real Plaza Pucallpa Shopping Mall	114,555	114,465
Real Plaza Huánuco Shopping Mall (i)	103,741	103,705
Real Plaza Cajamarca Shopping Mall	90,456	90,447
Real Plaza Santa Clara - Altamirano Shopping Mall	84,571	84,477
Real Plaza Villa Maria del Triunfo Shopping Mall (La Curva) (i)	82,531	82,791
Real Plaza Juliaca Shopping Mall (i)	75,064	75,025
Real Plaza Pro Shopping Mall	67,139	67,004
Real Plaza Chorrillos Shopping Mall	66,182	66,164
Real Plaza Arequipa Shopping Mall (i)	56,865	56,447
Plaza Center Lurin Shopping Mall	50,755	50,450
Real Plaza Nuevo Chimbote Shopping Mall	38,985	39,018
Plaza Center Ilo Shopping Mall	38,441	38,288
Real Plaza Sullana Shopping Mall	31,540	31,522
Plaza Center Villa El Salvador Shopping Mall	27,464	27,927
Plaza Center Moquegua Shopping Mall	30,180	29,560
Plaza Center Tumbes Shopping Mall	21,796	19,987
Plaza Center Tarapoto Shopping Mall	19,061	19,432
Plaza Center Tacna Shopping Mall	19,487	18,870
Jr. de la Unión stores	13,404	13,343
Others (ii)	256,604	247,671
Total	3,936,552	3,879,572

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

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

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

Notes to the interim consolidated financial statements (continued)

- (b) The movement of this account for the three-month period ended March 31, 2020 and 2019 was as follows:

	2020 S/(000)	2019 S/(000)
Balance at the beginning of the year	3,879,572	3,299,018
Additions	52,611	60,321
Fair value adjustment	4,369	2,492
Transfer from property, furniture and equipment; Note 8 (a)	-	42,639
Balance as of March 31	3,936,552	3,404,470
Balance as of December 31, 2019		3,879,572

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 March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Cost		
Initial balance	1,408,682	1,388,533
Additions (c)	7,466	22,637
Disposal and/or sales	(583)	(3,049)
Transfer from property plant and equipment, Note 8(a)	166	654
Foreign currency translation	139	(93)
Final balance	1,415,870	1,408,682
Accumulated amortization		
Initial balance	233,983	182,336
Additions (e)	17,749	53,686
Disposals and/or sales	(583)	(1,977)
Foreign currency translation	120	(62)
Final balance	251,269	233,983
Goodwill		
Initial balance (d)	1,982,106	1,982,106
Additions	-	-
Final balance	1,982,106	1,982,106
Net, book value	3,146,707	3,156,805

Notes to the interim consolidated financial statements (continued)

- (b) As of March 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.

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

- (c) As of March 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 software and licenses in new stores of InRetail Group and (iii) recognition of trademarks and other intangibles from the acquisition of the Quicorp Group, see Note 1 (b).
- (d) As of December 31, 2019, this caption mainly includes the goodwill, as a result of the acquisition of the Quicorp Group S/1,272,634,000 and InRetail Pharma S/709,472,000. See Note 1(b).

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

- (e) Amortization expense for the three-month period ended March 31, 2020 and 2019 has been recorded in the following items of the combined statements:

	2020 S/(000)	2019 S/(000)
Cost of sales, Note 17 (a)	70	46
Sales expenses, Note 17 (a)	14,711	10,637
Administrative expenses, Note 17 (a)	2,968	2,856
Balance as of March 31	17,749	13,539
Balance as of December 31, 2019		53,686

11. Trade payables

The table below presents the composition of this caption:

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Bills payable from purchase of goods	2,550,337	2,549,796
Bills payable from commercial services	279,189	322,827
Provision for services and maintenance	93,941	90,467
Total	2,923,467	2,963,090
Current	2,906,604	2,946,832
Non current	16,863	16,258
Total	2,923,467	2,963,090

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.

Notes to the interim consolidated financial statements (continued)

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 three-month period ended as of March 31, 2020 and December 31, 2019, is as follows:

	Land S/(000)	Buildings infrastructure and facilities S/(000)	Vehicles S/(000)	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Cost					
Initial balance	153,443	1,552,759	1,947	1,708,149	-
First adoption of IFRS 16	-	-	-	-	1,576,859
Additions (d)	270	42,812	1,361	44,443	146,435
Disposals and/or sales (c)	-	(7,098)	(90)	(7,188)	(14,709)
Foreign currency translation	-	743	61	804	(436)
Final balance	153,713	1,589,216	3,279	1,746,208	1,708,149
Accumulated depreciation					
Initial balance	7,463	297,252	552	305,267	-
Additions (d) Note 17	1,943	76,244	235	78,422	306,862
Disposals and/or sales (c)	-	(1,054)	(51)	(1,105)	(1,570)
Foreign currency translation	-	204	14	218	(25)
Final balance	9,406	372,646	750	382,802	305,267
Net book value	144,307	1,216,570	2,529	1,363,406	1,402,882

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

	2020 S/(000)	2019 S/(000)
Cost of sales, Note 17 (a)	3,059	3,101
Sales expenses, Note 17 (a)	73,966	65,866
Administrative expenses, Note 17 (a)	1,397	4,053
Balance as of March 31	78,422	73,020
As of December 31, 2019		306,862

Notes to the interim consolidated financial statements (continued)

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

	As of March 31, 2020	As of December 31, 2019
	S/(000)	S/(000)
Initial balance	1,402,280	-
First adoption of IFRS 16	-	1,540,878
Additions	44,443	146,435
Increase for accrued interest, Note 18	21,933	97,076
Amortization	(89,756)	(349,838)
Disbursements made at the start of the contract	(223)	-
Disposals	(6,155)	(13,061)
Disbursements before IFRS 16 adoption	1,053	-
Exchange rate	33,767	(18,825)
Foreign currency translation	656	(385)
Final balance	1,407,998	1,402,280
Current	261,363	306,145
Non-current	1,146,635	1,096,135
Total	1,407,998	1,402,280

Additionally, in the three-month period ended as of March 31, 2020 and 2019, interest related to the lease liability of S/21,933,000 and S/21,950,000, has been accrued, respectively.

Notes to the interim consolidated financial statements (continued)

13. Interest-bearing loans and borrowings

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

Type of obligation	Original currency	Interest rate %	Final maturity	Original amount			Total		Current		Non-current	
				US\$ (000)	\$ (000)	S/(000)	2020	2019	2020	2019	2020	2019
							S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Senior Notes Unsecured												
Senior Notes Unsecured (b)	USD	5.750	2028	350,000	-	-	1,129,723	1,087,035	-	-	1,129,723	1,087,035
Senior Notes Unsecured (b)	PEN	6.563	2028	-	-	313,500	309,942	309,859	-	-	309,942	309,859
Senior Notes Unsecured (d)	PEN	7.875	2034	-	-	141,000	135,532	135,514	-	-	135,532	135,514
Senior Notes Unsecured (c)	PEN	6.438	2025	-	-	385,800	383,790	383,707	-	-	383,790	383,707
Senior Notes Unsecured (c)	USD	5.375	2023	400,000	-	-	1,361,261	1,310,706	-	-	1,361,261	1,310,706
				750,000	-	840,300	3,320,248	3,226,821	-	-	3,320,248	3,226,821
Leasings												
Related entities												
Banco Internacional del Perú-Interbank	PEN	4.980	2024	-	-	101,963	101,036	100,955	-	-	101,036	100,955
Banco Internacional del Perú-Interbank	USD	4.530	2020	194	-	-	78	197	28	142	50	55
Non related entities												
Banco de Crédito del Perú	PEN	Between 6.659 and 7.000	2021	-	-	27,758	2,291	3,715	2,225	3,399	66	316
Banco Scotiabank	PEN	5.350	2025	-	-	255,246	255,246	239,970	-	-	255,246	239,970
Banco Scotiabank	PEN	6.750	2020	-	-	24,831	1,764	3,064	1,764	3,064	-	-
Banco Santander del Perú	PEN	Between 6.920 and 7.650	2022	-	-	1,419	932	1,011	372	367	560	644
Banco de Crédito del Perú	PEN	5.500	2021	-	-	399	-	240	-	134	-	106
Banco de Crédito del Perú	PEN	7.560	2020	-	-	111	27	36	27	36	-	-
Banco Continental	PEN	4.950	2021	-	-	129	52	71	44	44	8	27
Banco Santander del Perú	PEN	8.550	2020	-	-	195	19	33	19	33	-	-
				194	-	412,051	361,445	349,292	4,479	7,219	356,966	342,073

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)
Notes and Loans (e)												
Related entities												
Banco Internacional del Perú-Interbank	PEN	4.980	2024	-	-	198,037	196,704	196,632	-	-	196,704	196,632
Banco Internacional del Perú-Interbank (i)	PEN	4.700	2025	-	-	161,950	120,591	126,333	22,970	22,970	97,621	103,363
Non related entities												
Banco de Crédito del Perú	PEN	Between 3.150 and 5.650	2024	-	-	187,000	155,037	124,250	61,850	24,850	93,187	99,400
Banco Scotiabank	PEN	Between 4.870 and 5.500	2026	-	-	842,750	680,620	769,630	90,673	152,422	589,947	617,208
Banco Citibank	PEN	2.600	2020	-	-	125,000	125,000	26,000	125,000	26,000	-	-
Banco Scotiabank (h)	PEN	4.700	2025	-	-	161,950	120,610	126,353	22,973	22,973	97,637	103,380
Banco Scotiabank (f)	PEN	5.250	2027	-	-	50,000	49,609	49,589	4,930	4,932	44,679	44,657
Banco de Crédito del Perú	USD	2.840	2020	5,999	-	-	-	19,902	-	19,902	-	-
Banco de Crédito del Perú	PEN	3.560	2020	-	-	35,000	35,000	-	35,000	-	-	-
Banco de Crédito del Perú	PEN	4.140	2020	-	-	10,900	10,900	-	10,900	-	-	-
Banco Scotiabank	PEN	3.400	2020	-	-	17,500	17,500	-	17,500	-	-	-
Banco Citibank	PEN	2.800	2020	-	-	30,000	30,000	-	30,000	-	-	-
Banco Continental	PEN	4.810	2020	-	-	40,000	40,000	-	40,000	-	-	-
Banco Continental	PEN	3.100	2020	-	-	15,000	-	15,000	-	15,000	-	-
Banco de Crédito del Perú	PEN	Between 2.950 and 4.040	2020	-	-	45,000	45,000	-	45,000	-	-	-
Banco Scotiabank	PEN	Between 2.800 and 3.050	2020	-	-	56,000	56,000	-	56,000	-	-	-
Banco Scotiabank	PEN	Between 2.800 and 3.000	2020	-	-	46,000	-	46,000	-	46,000	-	-
Banco Citibank	USD	5.000	2022	10,000	-	-	31,549	33,170	11,472	11,056	20,077	22,114
Banco Citibank	USD	8.000	2020	1,000	-	-	3,442	-	3,442	-	-	-
Banco Pichincha	USD	8.950	2020	300	-	-	1,033	995	1,033	995	-	-
Banco Pichincha	USD	8.950	2020	200	-	-	-	664	-	664	-	-
Banco Continental	COP	6.700	2020	-	2,900,000	-	2,456	2,935	-	-	2,456	2,935
				<u>17,499</u>	<u>2,900,000</u>	<u>2,022,087</u>	<u>1,721,051</u>	<u>1,537,453</u>	<u>578,743</u>	<u>347,764</u>	<u>1,142,308</u>	<u>1,189,689</u>
Call spread financing, Note 7												
Citibank N.A.	USD	6.473	2023	18,297	-	-	46,167	44,491	17,403	13,731	28,764	30,760
JP Morgan	COP	10.205	2028	23,440	-	-	69,891	70,086	3,010	5,634	66,881	64,452
				<u>41,737</u>	<u>-</u>	<u>-</u>	<u>116,058</u>	<u>114,577</u>	<u>20,413</u>	<u>19,365</u>	<u>95,645</u>	<u>95,212</u>
Other obligations (g)												
Hewlett Packard S.A.	USD	Between 1.450 and 5.564	2024	8,064	-	-	10,212	7,697	4,130	3,434	6,082	4,263
Hewlett Packard S.A.	USD	2.930	2021	12,084	-	-	11,169	11,168	6,050	6,837	5,119	4,331
Hewlett Packard S.A.	USD	Between 3.300 and 6.200	2020-2023	568	-	-	4,816	2,176	2,256	1,330	2,560	846
Infratech	USD	5.000	2020	66	-	-	-	37	-	37	-	-
CSI Renting	USD	Between 2.720 and 5.130	2020-2023	354	-	-	591	650	274	280	317	370
				<u>21,136</u>	<u>-</u>	<u>-</u>	<u>26,788</u>	<u>21,728</u>	<u>12,710</u>	<u>11,918</u>	<u>14,078</u>	<u>9,810</u>
Total				830,566	2,900,000	3,274,438	5,545,590	5,249,871	616,345	386,266	4,929,245	4,863,605

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/1,204,700,000 as of March 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\$21,783,000 equivalent to approximately S/74,977,000 as of March 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 payment semiannual interest and the principal in a single installment at the expiration of the securities. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 6.730 percent, after considering the respective up-front fees that amounted to S/3,558,000 as of March 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 opinion of the Management, these covenants do not limit the operations of the Company and its subsidiaries, they have been complied satisfactorily and are within the agreed limits as of March 31, 2020 and December 31, 2019. Likewise, 100 percent of the "Senior Notes Unsecured" is guaranteed by the shares of InRetail Real Estate Corp. and Subsidiaries.

- (c) In May 2018, InRetail Pharma S.A., issued debt instruments ("Notes") denominated in US Dollars through a private offer to institutional investors under Rule 144 A and Regulation S, for US\$400,000,000 equivalent to S/1,376,800,000 as of March 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\$4,514,000 equivalent to approximately S/15,539,000 as of March 31, 2020 (US\$4,852,000 equivalent to S/16,094,000 as of December 31, 2019). As of March 31, 2020, the balance of this loan is S/1,361,261,000 (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/2,010,000 as of March 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, they have been complied satisfactorily and are within the agreed limits as of March 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/1,468,000 as of March 31, 2020 (S/1,486,000 as of December 31, 2019). Additionally, as of March 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 March 31, 2020 the balance of this loan is S/135,532,000 (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 5.455 percent annual after considering the respective initial charge of approximately S/391,000 as of March 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/852,000 as of March 31, 2020 (S/893,000 as of December 31, 2019).

As of March 31, 2020, InRetail Pharma S.A. amortized the debt for the amount of S/40,488,000 (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/872,000 as of March 31, 2020 (S/913,000 as of December 31, 2019).

As of March 31, 2020, InRetail Pharma S.A. amortized the debt for the amount of S/40,487,000 (S/34,704,000 as of December 31, 2019).

Notes to the interim consolidated financial statements (continued)

- (j) During the twelve-month-periods ended March 31, 2020 and 2019, loans and borrowings accrued interest which are recorded in the “Finance costs” caption of the consolidated income statements, see Note 18. Also, as of March 31, 2020 and December 31, 2019, there are interests payable which are recorded in the “Other payables” caption of the consolidated statements of financial position.
- (k) Some of the interest-bearing loans and borrowings include standard clauses requiring the InRetail Group to meet financial ratios and other administrative matters. In Management’s opinion, as of March 31, 2020 and December 31, 2019, these standard clauses do not limit the normal operation of the InRetail Group and have been fulfilled.
- (l) Financial obligations are payable as follows:

	2020	2019
	S/ (000)	S/ (000)
2020	565,012	386,266
2021	224,627	195,951
2022	223,866	189,959
2023	1,562,110	1,479,875
2024	592,461	709,351
2024 onwards	2,377,514	2,288,469
Total	5,545,590	5,249,871

14. Income tax

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

Statements of financial position	As of March 31, 2020		As of December 31, 2019	
	Assets	Liabilities	Assets	Liabilities
	S/(000)	S/(000)	S/(000)	S/(000)
Supermercados Peruanos S.A.	-	70,365	-	80,108
Plaza Vea Oriente S.A.C.	2,386	-	2,379	-
Centro Comercial Estación Central S.A.	324	-	325	-
Inversiones Real Estate S.A.	-	632	-	631
Real Plaza S.R.L.	2,436	-	2,342	-
Inmobiliaria Puerta del Sol S.A.	-	43,087	-	42,801
IR Management S.R.L.	29	-	-	140
InRetail Pharma S.A.	10,212	-	-	5,143
Eckerd Amazonia S.A.C.	610	-	510	-
Boticas del Oriente S.A.C.	567	-	490	-
Química Suiza S.A.C.	-	40,806	-	39,108
Cifarma S.A.C.	935	-	715	-
Vanttive S.A.C.	32	-	28	-
Quicorp S.A.	989	-	248	-
Quifatex S.A.	5,562	-	5,400	-
Vanttive Cía Ltda.	76	-	73	-
Quimiza Ltda.	705	-	702	-
Química Suiza Colombia S.A.S. (formerly Quideca S.A.)	755	-	761	-
Mifarma S.A.C.	21,441	-	15,823	-
Mifarma S.A. (formerly Comercializadora Mifarma S.A.)	83	-	85	-
Albis S.A.C.	18,682	-	19,699	-
Jorsa de la Selva S.A.C.	1,560	-	1,760	-
Consolidation adjustment	681	296,700	592	297,657
Total	68,065	451,590	51,932	465,588

Notes to the interim consolidated financial statements (continued)

Statements of comprehensive income	Income tax for the three-month period ended March 31, 2020 and 2019	
	2020 S/(000)	2019 S/(000)
Current	(72,418)	(72,299)
Deferred	22,392	16,559
Income tax expense	(50,026)	(55,740)

- (b) As of March 31, 2020 and December 31, 2019, the provision for current income tax payable, net of advanced payments amounts to approximately S/19,633,000 and S/21,282,000, respectively.

Also, as of March 31, 2020 and December 31, 2019, non-current income related special purpose entity tax of S/338,980,000 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.

15. Equity

- (a) Capital stock
As of March 31, 2020 and December 31, 2019, the capital stock of InRetail Perú Corp. is represented by 102,807,319 shares with no par value, issued at US\$10.00 each, which were totally paid and issued (equivalent to S/2,138,566,000).
- (b) Capital premium
It corresponds to the difference between the nominal value of shares issued and their offering value. The international offering of new shares, mentioned in paragraph (a) above, was made at a price of US\$20 per share, being the issuance value of shares US\$ 10.00 per share, and recording a capital premium which is presented net of expenses related to the issuance (professional services of legal advisors, investment bankers, transaction commissions, among others) for approximately S/472,967,000 as of March 31, 2020 and December 31, 2019.
- (c) Treasury shares
As of March 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 March 26, 2019, it was approved to distribute dividends in the amount of US\$35,000,000 equivalent to S/115,640,000, which corresponds to a cash dividend of US\$0.34044269 per share, which was delivered in cash in May of 2019. Of this amount S/1,969,000 corresponds to the dividends related to treasury shares maintained by the Company.

In February and March 2020, InRetail Pharma S.A., subsidiary of the Company, distributed dividends to the non-controlling interest for an amount of S/10,267,000.

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

Country	%
Peru	29.5
Ecuador	28.0
Bolivia	25.0
Colombia	33.0

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

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

- (i) In first place, 10 percent or more of shares of the non domiciliated company must be sold in a period of twelve months.
 - (ii) In second place, the market value of the Peruvian company's shares must represent 50 percent or more of the market value of the non domiciliated company, in a period of twelve months.
- (d) For purposes of determining the Income Tax, transfer pricing of transactions with related companies and companies domiciled in territories with low or no taxation must be supported with documentation and information on assessment methods applied and criteria considered. Based on the analysis of the operations of the InRetail Group, Management and its legal advisors consider that as consequence of the application of the regulation in force, there will not be any significant contingencies for the InRetail Group as of March 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:

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

According to Peruvian law, InRetail Consumer, InRetail Shopping Malls and Interproperties Holding, special purpose entities, are not considered an income taxpayer due to its status as a trust. InRetail Shopping Malls and Interproperties Holding attribute its generated results, the net losses and Income Tax credits on foreign source income, to the holders of its certificates of participation or whoever holds those rights. Therefore, to reflect this obligation, the Company has provisioned 30 percent of long term income tax over the profit earned to date. As of March 31, 2020 and December 31, 2019, the accrued income tax amounted to S/338,980,000 and S/318,848,000, respectively.

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

In opinion of Management of the InRetail Group as well as its legal advisor's opinion, any eventual additional tax settlement would not be significant to the consolidated financial statements as of March 31, 2020 and December 31, 2019.

Notes to the interim consolidated financial statements (continued)

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

	2020 S/ (000)	2019 S/ (000)
Albis S.A.C.	50,315	55,494
Jorsa de la Selva S.A.C.	909	1,959
Quicorp S.A.	3,354	-
Vanttive S.A.C.	-	1
Total	54,578	57,454

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 three-month period ended March 31, 2020 and 2019:

	2020	2019
	S/(000)	S/(000)
Cost of sales	2,413,554	2,296,325
Selling expenses	601,348	594,977
Administrative expenses	111,703	112,650
Total	3,126,605	3,003,952

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

	2020			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods, Note 6 (a)	1,773,215	-	-	1,773,215
Initial balance of raw material, Note 6 (a)	15,204	-	-	15,204
Initial balance of miscellaneous supplies, Note 6 (a)	1,008	-	-	1,008
Final balance of finished goods, Note 6 (a)	189	-	-	189
Purchase of goods	2,404,103	-	-	2,404,103
Final balance of goods, Note 6 (a)	(1,834,445)	-	-	(1,834,445)
Final balance of raw material, Note 6 (a)	(13,272)	-	-	(13,272)
Final balance of miscellaneous supplies, Note 6 (a)	(533)	-	-	(533)
Impairment of inventories, Note 6 (c)	5,293	-	-	5,293
Factory overhead	6,137	-	-	6,137
Cost of services	52,058	-	-	52,058
Personnel expenses	-	232,299	75,447	307,746
Depreciation, Note 8 (d)	1,468	50,017	4,430	55,915
Depreciation from right-of-use asset, Note 12 (b)	3,059	73,966	1,397	78,422
Amortization, Note 10 (e)	70	14,711	2,968	17,749
Services provided by third parties (b)	-	107,496	14,369	121,865
Advertising	-	30,681	14	30,695
Packing and packaging	-	7,436	35	7,471
Rental of premises	-	10,218	3,141	13,359
Taxes	-	9,977	1,879	11,856
Provision for doubtful trade receivables, Note 5(g)	-	2,279	481	2,760
Recovery of provision for doubtful trade receivables, Note 5(g)	-	(760)	(67)	(827)
Insurance	-	5,515	333	5,848
Other charges (c)	-	57,513	7,276	64,789
Total	2,413,554	601,348	111,703	3,126,605

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	11,796	-	-	11,796
Initial balance of miscellaneous supplies	1,075	-	-	1,075
Final balance of finished goods	672	-	-	672
Purchase of goods	2,244,376	-	-	2,244,376
Final balance of goods	(1,712,256)	-	-	(1,712,256)
Final balance of raw material	(11,969)	-	-	(11,969)
Final balance of miscellaneous supplies	(1,075)	-	-	(1,075)
Final balance of finished goods	(382)	-	-	(382)
Impairment of inventories, Note 6 (c)	6,320	-	-	6,320
Factory overhead	5,538	-	-	5,538
Cost of services	51,173	-	-	51,173
Personnel expenses	-	225,680	69,962	295,642
Depreciation, Note 8 (d)	1,005	49,958	5,116	56,079
Depreciation of right-of-use assets, Note 12 (b)	3,101	65,866	4,053	73,020
Amortization, Note 10 (e)	46	10,637	2,856	13,539
Services provided by third parties (b)	-	107,973	16,720	124,693
Advertising	-	29,226	3	29,229
Packing and packaging	-	11,460	43	11,503
Rental of premises	-	16,862	2,491	19,353
Taxes	-	10,921	3,500	14,421
Provision for doubtful trade receivables, Note 5(g)	-	7,790	2	7,792
Recovery of provision for doubtful trade receivables, Note 5(g)	-	(5,143)	-	(5,143)
Provision for doubtful other receivables	-	161	-	161
Recovery of provision for doubtful other receivables	-	(6)	-	(6)
Insurance	-	5,142	393	5,535
Other charges (c)	-	58,450	7,511	65,961
Total	2,296,325	594,977	112,650	3,003,952

(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. Finance costs

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

	2020	2019
	S/(000)	S/(000)
Interest on loans, borrowings and bonds payable	73,460	71,205
Accrual of the structuring cost of financial obligations	3,810	3,022
Interest on lease liabilities	21,933	21,950
Premium accrual "Call Spread"	5,245	3,718
Other financial costs	5,450	14,331
Total	109,898	114,226

(b) As of March 31, 2020 and December 31, 2019, there are interest payable for these obligations for approximately S/52,195,000 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 three-month period ended as of March 31, 2020 and 2019:

	2020 S/(000)	2019 S/(000)
Income		
Sales	473	1,798
Rental income	27,533	28,327
Rendering of services	980	4,219
Collection of commissions	4,650	590
Income from Joint Venture	5,634	11,348
Interest income	544	292
Sale of fixed assets	5	-
Other	4,182	8,714
Total income	44,001	55,288
Expenses		
Renting of premises and land	222	30
Reimbursement of expenses	294	507
Commissions	17	192
Interest	59	2,415
Other	4,601	2,450
Total expenses	5,193	5,594

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

	As of March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Receivables		
Homecenters Peruanos S.A. (f)	31,651	32,269
Financiera Oh! S.A.	12,303	9,095
Tiendas Peruanas Oriente S.A.C. (d)	6,143	6,991
Tiendas Peruanas S.A.	10,642	9,649
Intercorp Retail Inc. (g)	226	226
Bembos S.A.C.	304	751
Cineplex S.A.	1,087	613
Banco Internacional del Perú S.A.A. -Interbank	1,025	2,059
Inmobiliaria Milenia S.A.	13	-
Interseguro Compañía de Seguros S.A.	358	1,154
Other	20,243	17,728
Total	83,995	80,535
Current	54,052	50,283
Non Current	29,943	30,252
Total	83,995	80,535

Notes to the interim consolidated financial statements (continued)

	S/(000)	S/(000)
Payables		
Homecenters Peruanos S.A. (i)	41,257	42,908
Financiera Oh! S.A. (h)	15,925	23,011
Banco Internacional del Perú S.A.A. – Interbank:		
Credit lines and other	-	-
Guarantee deposit (e)	7,030	6,634
Tiendas Peruanas S.A.	57	643
Inmobiliaria Milenia S.A.	1,009	1,151
Intercorp Retail Inc.	-	22
Other	1,912	2,782
Total	67,190	77,151
Remunerations payable to key management	-	-
Total	67,190	77,151
Current	27,319	36,891
Non-current	39,871	40,260
Total	67,190	77,151

- (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 March 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 March 31, 2020, the Company collected S/5,965,000 as amortization of the loan.

- (e) Corresponds to the guarantee that Supermercados Peruanos S.A. received for the rental of financial modules located within its stores, to the Banco Internacional del Perú S.A.A. – Interbank for US\$2,000,000. As of March 31, 2020 and December 31, 2019, Supermercados Peruanos S.A. has credited the update of the present value of this deposit in the "Financial income" caption. As of March 31, 2020 and December 31, 2019, the net present value of the balances related to guarantee deposits amounts to S/6,884,000 and S/6,634,000, respectively.

In relation to this contract, during the three-month period ended March 31, 2019, Supermercados Peruanos S.A. has recognized income from rental services accrued in an amount calculated at S/638,000, equivalent to approximately US\$200,000, which is presented in the item "Rental income" of the consolidated statement of income.

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

Notes to the interim consolidated financial statements (continued)

- (f) Corresponds mainly to an account receivable from Homecenters Peruanos S.A. for an amount of S/26,897,000. 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/5,266,000, 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 2020.

- (g) The balance receivable from Intercorp Retail Inc. S/223,000, corresponds to certain expenses assumed by InRetail Perú Corp. in favor of Intercorp Retail Inc. The balance receivable from Intercorp Retail Inc. does not generate interest, has current maturities and does not have specific guarantees.
- (h) In June 2013, Supermercados Peruanos S.A. and Financiera Oh! S.A., a related entity, signed the "Contract of Issuance and Administration" of the Oh! credit card. Said contract established that Financiera Oh! S.A. can exclusively operate its "Oh! credit card" in the Supermercados Peruanos stores, instead of the "Vea" credit card of Banco Internacional del Perú S.A.A. –Interbank, which was operating until that moment. Also, as a result of this agreement, as of March 31, 2020 and December 31, 2019, the InRetail Group holds InRetail accounts payables to Financiera Oh! S.A for S/14,442,000 and S/23,011,000, respectively, which correspond mainly to the collection of installments to users of the Oh! Credit card S/14,442,000 and S/2,814,000 as of March 31, 2020 and December 31, 2019.
- (i) As of March 31, 2020 mainly includes contributions from the affiliate Homecenters Peruanos S.A. (hereinafter "The associate") for approximately S/40,242,000 (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 project Mall "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/101,036,000 and S/78,000 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 2020 and 2024. These transactions are included in "Interest-bearing loans and borrowings". During the three-month period ended March 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 one. There have been no guarantees provided or received for any related party receivables or payables. As of March 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.

Notes to the interim consolidated financial statements (continued)

- (l) The compensation of key management personnel of the InRetail Group for the three-month period ended March 31, 2020 and 2019, is detailed below:

	2020 S/(000)	2019 S/(000)
Short term employee benefits	22,131	19,756
Insurance and medical benefits	425	454
Employment benefits for contract termination	<u>409</u>	<u>3,116</u>
Total	<u>22,965</u>	<u>23,326</u>

- (m) As of March 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 March 31, 2020 S/(000)	As of December 31, 2019 S/(000)
Cash and short-term deposits		
Banco Internacional del Peru – Interbank S.A.A.	397,785	332,284
Inteligo Bank Ltd.	870	1,514
Investments at fair value through profit or loss		
Interfondos S.A. Sociedad Administradora de Fondos SAF	-	1,655
Fondos Sura SAF S.A.C.	22,505	20,360

Notes to the interim consolidated financial statements (continued)

20. Earnings per share

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

The following reflects basic and diluted earnings per share computations:

	Ordinary shares		
	Outstanding shares	Effective days until period-end	Weighted average of shares
Number as of January 1, 2019	102,807,319	90	102,807,319
Number as of March 31, 2019	102,807,319		102,807,319
Number as of January 1, 2020	102,807,319	90	102,807,319
Number as of March 31, 2020	102,807,319		102,807,319
	For the three-month-period ended March 31, 2020		
	Net income (numerator)	Shares (denominator)	Earnings per share
	S/		S/
Basic and diluted earnings per share	92,157,000	102,807,319	0.896
	For the three-month-period ended March 31, 2019		
	Net income (numerator)	Shares (denominator)	Earnings per share
	S/		S/
Basic and diluted earnings per share	106,249,000	102,807,319	1.033

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 March 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/75,309,000, US\$8,132,000 and b\$384,000 (S/91,735,000, US\$9,739,000 and b\$646,000 as of December 31, 2019), respectively, to comply with the payment of goods purchased to foreign suppliers and commit with the fulfillment of the contracts.

Contingencies –

- (a) Eckerd Amazonía S.A.C. is in the process of claiming against the Tax Authority for determinations of debts and fines related to VAT for the period between January 2003 and September 2005. In opinion of Management and its legal advisors these contingencies are stated as possible and significant liabilities will not arise as result of this contingency as of March 31, 2020 and December 31, 2019.
- (b) InRetail Pharma S.A. maintains certain labor claims for approximately S/2,322,000, mainly related to compensation for arbitrary dismissal, non-payment of social benefits, and reinstatements in the work place, among others. In Management's opinion and its legal advisors, these must be resolved favorably for InRetail Pharma S.A.; consequently, it is not necessary to record additional liabilities for these items.
- (c) Mifarma S.A.C.

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

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

- In 2006, Peruvian Tax Authority made an assessment related to the income tax base for year 2003 for S/1,296,000. In relation to this amount, the Company filed a claim. In Management's opinion and its legal advisors, such provision is sufficient to cover the observations and has the necessary arguments to refute the observations in order for the claim proceedings to be resolved in favor of the Company.
- In 2011, the Peruvian Tax Authority made some objections related to the base of the income tax for the year 2009 in the amount of S/4,184,000, which results in the reversal of the tax loss that the company had determined for the year.

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

The Company filed a claim for said objections, as well as the fine plus respective default interest.

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

Notes to the interim consolidated financial statements (continued)

- (d) Supermercados Peruanos S.A. has been examined by the Tax Authority of Income Tax returns and monthly Value Added Tax returns for the years 2004 to 2010. As of the date of this report, Supermercados Peruanos S.A. has challenged the Tax Administration for these resolutions and, in Management's opinion and its legal advisors, significant liabilities will not arise as result of this situation as of March 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 supermarkets segment operates supermarkets and hypermarkets nationwide.
- The pharmacies segment is a nationwide supplier of drugs, medicines and cosmetic related products through the chain of pharmacies named "Inkafarma" and "Mifarma".
- The Manufacturing, Distribution and Marketing segment of drugs, medicines and consumer products.
- Shopping center segment leases commercial stores in shopping centers owned by the InRetail Group.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

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

As of March 31, 2020 and December 31, 2019 and for the three-month period ended March 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 March 31, 2020 and December 31, 2019 and for the three-month period ended March 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 three-month period ended March 31, 2020 and 2019

	Supermarkets S/(000)	Pharmacies S/(000)	Manufacturing Distribution and Marketing S/(000)	Shopping Center S/(000)	Total segments S/(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/(000)	Consolidated S/(000)
For the three-month period ended March 31, 2020							
Revenue							
External income	1,591,130	1,265,480	432,591	113,856	3,403,057	3,365	3,406,422
Inter-segment	3,015	4,153	198,345	14,567	220,080	(220,080)	-
Total revenue	1,594,145	1,269,633	630,936	128,423	3,623,137	(216,715)	3,406,422
Cost of sales	(1,196,260)	(628,508)	(541,147)	(46,872)	(2,412,787)	(767)	(2,413,554)
Inter-segment	-	(186,683)	(9,394)	(91)	(196,168)	196,168	-
Gross profit	397,885	454,442	80,395	81,460	1,014,182	(21,314)	992,868
Join venture income	5,634	-	-	-	5,634	-	5,634
Gain on valuation at fair value of investment properties	(3,200)	-	-	7,473	4,273	96	4,369
Selling expenses	(284,633)	(263,042)	(50,068)	(2,821)	(600,564)	(784)	(601,348)
Administrative expenses	(43,462)	(42,183)	(15,599)	(8,148)	(109,392)	(2,311)	(111,703)
Other operating (expenses) income, net	498	2,215	341	(168)	2,886	176	3,062
Operating profit	72,722	151,432	15,069	77,796	317,019	(24,137)	292,882
Exchange difference, net	(27,376)	(16,244)	161	(7,328)	(50,787)	5,410	(45,377)
Finance income	340	6,588	3,227	7,289	17,444	(12,868)	4,576
Finance costs	(33,898)	(47,739)	(6,014)	(36,705)	(124,356)	14,458	(109,898)
Profit before income tax	11,788	94,037	12,443	41,052	159,320	(17,137)	142,183
Income tax expense	(6,458)	(28,529)	(4,927)	(14,369)	(54,283)	4,257	(50,026)
Profit for the year	5,330	65,508	7,516	26,683	105,037	(12,880)	92,157
Attributable to:							
Owners of the parent	5,330	65,508	7,516	26,683	105,037	(20,884)	84,153
Non-controlling interests	-	-	-	-	-	8,004	8,004
Profit for the year	5,330	65,508	7,516	26,683	105,037	(12,880)	92,157

Notes to the interim consolidated financial statements (continued)

	Supermarkets S/(000)	Pharmacies S/(000)	Manufacturing Distribution and Marketing S/(000)	Shopping center S/(000)	Total segments S/(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/(000)	Consolidated S/(000)
For the three-month period ended March 31, 2019							
Revenue							
External income	1,435,374	1,235,729	458,919	113,734	3,243,756	5,680	3,249,436
Inter-segment	4,270	1,787	162,183	13,543	181,783	(181,783)	-
Total revenue	1,439,644	1,237,516	621,102	127,277	3,425,539	(176,103)	3,249,436
Cost of sales	(1,076,622)	(655,344)	(521,223)	(42,362)	(2,295,551)	(774)	(2,296,325)
Inter-segment	(183)	(150,361)	(11,553)	-	(162,097)	162,097	-
Gross profit	362,839	431,811	88,326	84,915	967,891	(14,780)	953,111
Join venture income	11,348	-	-	-	11,348	-	11,348
Gain on valuation at fair value of investment properties	716	-	-	3,174	3,890	(1,398)	2,492
Selling expenses	(285,492)	(261,203)	(55,190)	(1,855)	(603,740)	8,763	(594,977)
Administrative expenses	(34,204)	(44,895)	(21,588)	(7,292)	(107,979)	(4,671)	(112,650)
Other operating (expenses) income, net	(2,590)	(378)	562	245	(2,161)	945	(1,216)
Operating profit	52,617	125,335	12,110	79,187	269,249	(11,141)	258,108
Exchange difference, net	5,808	7,919	212	2,451	16,390	(2,761)	13,629
Finance income	546	7,674	625	7,451	16,296	(11,818)	4,478
Finance costs	(35,685)	(47,878)	(6,049)	(35,176)	(124,788)	10,562	(114,226)
Profit before income tax	23,286	93,050	6,898	53,913	177,147	(15,158)	161,989
Income tax expense	(12,575)	(28,977)	(2,926)	(16,311)	(60,789)	5,049	(55,740)
Profit for the year	10,711	64,073	3,972	37,602	116,358	(10,109)	106,249
Attributable to:							
Owners of the parent	10,711	64,073	3,972	37,602	116,358	(19,083)	97,275
Non-controlling interests	-	-	-	-	-	8,974	8,974
Profit for the year	10,711	64,073	3,972	37,602	116,358	(10,109)	106,249

Notes to the interim consolidated financial statements (continued)

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

Geographic information-

As of March 31, 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. 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.

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.

Notes to the interim consolidated financial statements (continued)

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

The InRetail Group does not maintain any financial instrument with fair value determination under level 3 and there were no transfers between levels during the three-month period ended March 31, 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.

24. Transactions in foreign currency

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by the Superintendence of Banks, Insurance and Pension Funds Administration. As of March 31, 2020, the end of period exchange rates in the market for transactions in US Dollars were S/3.433 per US\$1.00 bid and S/3.442 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).

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by authorized entities of the country in which the Company and its Subsidiaries operate. As of March 31, 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\$)	0.291	0.302
Bolivianos (b\$)	2.022	2.029
Colombian Peso (\$)	1,180.944	990.246

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

	As of March 31, 2020			As of December 31, 2019		
	US\$(000)	b\$(000)	\$(000)	US\$(000)	b\$(000)	\$(000)
Assets						
Cash and short-term deposits	32,542	12,474	1,162,074	14,789	6,669	679,864
Investments at fair value through profit or loss	-	-	-	2,827	-	-
Trade receivables, net	56,208	46,536	10,704,785	52,922	45,088	9,833,962
Other accounts receivables, net	5,758	6,508	-	5,429	4,632	-
Accounts receivable from related parties	3,328	763	-	2,577	-	-
Total assets	97,836	66,281	11,866,859	78,544	56,389	10,513,826
Liabilities						
Trade payables	(78,760)	(33,496)	(8,958,449)	(92,883)	(28,498)	(5,484,008)
Other payables	(19,010)	(12,760)	-	(18,901)	(13,089)	-
Accounts payable to related parties	(2,718)	(763)	-	(2,781)	-	-
Lease liability	(270,978)	(2,245)	-	(239,720)	(2,506)	-
Interest - bearing loans and borrowings	(775,576)	-	(2,900,000)	(780,516)	-	(3,600,000)
Total Liabilities	(1,147,042)	(49,264)	(11,858,449)	(1,134,801)	(44,093)	(9,084,008)
Call Spread	750,000	-	-	750,000	-	-
Net (liability) asset position	(299,206)	17,017	8,410	(306,257)	12,296	1,429,818

Notes to the interim consolidated financial statements (continued)

- (a) As of December 31, 2019, InRetail Pharma S.A. and InRetail Shopping Malls, Subsidiaries of the Company, reduced its exchange rate risk with two hedging operations through Call Spreads written over its "Senior Notes Unsecured", which were considered effective hedging instruments. The Call Spreads were written over a nominal amount of US\$400,000,000 and US\$350,000,000, respectively, and were effective until the cancelation of the "Senior Notes Unsecured". See further detail in Note 7.

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

25. Subsequent event

- (a) In March 2020, the World Health Agency "WHO" declared the coronavirus outbreak as a pandemic. In turn, the Peruvian authorities, where the Company and its Subsidiaries mainly carry out their operations, are taking the necessary measures to prevent the spread of the virus.

In order to reduce the impact on the Peruvian economy, the Peruvian Government granted a subsidy for each worker whose labor contract does not set a term or ends after March 15, 2020. As of March 31, 2020, the subsidy is equivalent to approximately S/6,294,000, and it was fully paid in April 2020.

The Company's Management and its subsidiaries estimate that the impact of the pandemic will not have a significant impact on the consolidated financial statements.

- (b) 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, which will be delivered during 2020.

26. Additional explanation for English translation

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