

**InRetail Perú Corp. and Subsidiaries**

Interim consolidated financial statements as of June 30, 2014 (unaudited) and December 31, 2013 (audited) and for the six-month periods ended June 30, 2014 and 2013

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## InRetail Perú Corp. and subsidiaries

### Interim consolidated statement of financial position

As of June 30, 2014 (unaudited) and December 31, 2013 (audited)

|  | <b>Note</b> | <b>2014</b>      | <b>2013</b>      |  | <b>Note</b> | <b>2014</b>      | <b>2013</b>      |
|--|-------------|------------------|------------------|--|-------------|------------------|------------------|
|  |             | S/.(000)         | S/.(000)         |  |             | S/.(000)         | S/.(000)         |
| <b>Assets</b>                                    |             |                  |                  | <b>Liabilities and equity</b>                      |             |                  |                  |
| <b>Current assets</b>                            |             |                  |                  | <b>Current liabilities</b>                         |             |                  |                  |
| Cash and short-term deposits                     | 4           | 178,985          | 284,171          | Trade payables                                     | 11          | 1,241,878        | 1,307,483        |
| Investments at fair value through profit or loss | 5           | 3,901            | -                | Other payables                                     |             | 189,565          | 185,012          |
| Trade receivables, net                           |             | 89,876           | 77,786           | Accounts payable to related parties                | 18(b )      | 100,170          | 29,537           |
| Other receivables, net                           | 18 (b)      | 44,160           | 28,202           | Current income tax                                 | 13(b )      | 17,730           | 390              |
| Accounts receivables from related parties        | 6           | 52,942           | 83,184           | Interest-bearing loans and borrowings              | 12          | 192,851          | 166,380          |
| Inventories, net                                 | 7           | 809,006          | 778,988          | Deferred revenue                                   |             | <u>3,770</u>     | <u>3,557</u>     |
| Available-for-sale investment                    |             | 17,747           | 17,171           | <b>Total current liabilities</b>                   |             | <u>1,745,964</u> | <u>1,692,359</u> |
| Prepayments                                      |             | 36,469           | 23,087           | Accounts payable to related parties                | 18(b )      | 3,835            | 3,642            |
| Taxes recoverable                                |             | <u>102,203</u>   | <u>59,016</u>    | Interest-bearing loans and borrowings              | 12          | 1,634,391        | 1,552,525        |
| <b>Total current assets</b>                      |             | <u>1,335,289</u> | <u>1,351,605</u> | Derivative financial instrument                    |             | 2,192            | 2,747            |
| <b>Non-current assets</b>                        |             |                  |                  | Deferred revenue                                   |             | 56,337           | 25,744           |
| Other receivables, net                           |             | 7,438            | 7,027            | Deferred income tax liabilities, net               | 13          | <u>242,602</u>   | <u>213,222</u>   |
| Prepayments                                      |             | 19,782           | 19,231           | <b>Total non-current liabilities</b>               |             | <u>1,939,357</u> | <u>1,797,880</u> |
| Taxes recoverable                                |             | 90,139           | 102,064          | <b>Total liabilities</b>                           |             | <u>3,685,321</u> | <u>3,490,239</u> |
| Property, furniture and equipment, net           | 8           | 2,166,960        | 2,106,601        | <b>Equity</b>                                      |             |                  |                  |
| Investment properties                            | 9           | 1,956,381        | 1,697,343        | Capital stock                                      | 14          | 2,138,566        | 2,138,566        |
| Intangible assets, net                           | 10          | 1,158,176        | 1,155,774        | Additional paid in capital                         |             | 549,793          | 549,793          |
| Other assets                                     |             | <u>376</u>       | <u>8,653</u>     | Unrealized results on financial instruments        |             | 1,943            | 988              |
| <b>Total non-current assets</b>                  |             | <u>5,399,252</u> | <u>5,096,693</u> | Retained earnings                                  |             | <u>353,949</u>   | <u>264,088</u>   |
|  |             |                  |                  | <b>Equity attributable to owners of the parent</b> |             | <u>3,044,251</u> | <u>2,953,435</u> |
|  |             |                  |                  | Non-controlling interests                          |             | <u>4,969</u>     | <u>4,624</u>     |
|  |             |                  |                  | <b>Total equity</b>                                |             | <u>3,049,220</u> | <u>2,958,059</u> |
| <b>Total assets</b>                              |             | <u>6,734,541</u> | <u>6,448,298</u> | <b>Total liabilities and equity</b>                |             | <u>6,734,541</u> | <u>6,448,298</u> |

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

## InRetail Perú Corp. and Subsidiaries

### Interim consolidated Income statement

For the six-month periods ended June 30, 2014 and 2013

|   | Note | 2014<br>S/.(000) | 2013<br>S/.(000) |
|---|------|------------------|------------------|
| Net sales of goods  |      | 2,708,218        | 2,382,484        |
| Rental income   |      | 96,556           | 63,791           |
| Rendering of services   |      | 59,795           | 44,706           |
| <b>Revenue</b>  |      | <u>2,864,569</u> | <u>2,490,981</u> |
| Cost of sales   | 16   | (2,033,753)      | (1,796,538)      |
| <b>Gross profit</b>   |      | <u>830,816</u>   | <u>694,443</u>   |
| Other operating income  |      | 33,582           | 34,118           |
| Selling expenses  | 16   | (563,124)        | (491,731)        |
| Administrative expenses   | 16   | (80,516)         | (78,098)         |
| Other operating expenses  |      | (1,462)          | (641)            |
| <b>Operating profit</b>   |      | <u>219,296</u>   | <u>158,091</u>   |
| Finance income  |      | 9,242            | 13,013           |
| Finance costs   | 17   | (88,496)         | (86,082)         |
| Net exchange difference   |      | 1,035            | (117,491)        |
| <b>Profit before income tax</b>   |      | <u>141,077</u>   | <u>(32,469)</u>  |
| Income tax expense  | 13   | (50,873)         | (7,137)          |
| <b>Profit for the period</b>  |      | <u>90,204</u>    | <u>(39,606)</u>  |
| <b>Attributable to:</b>   |      |                  |                  |
| Owners of the parent  |      | 89,861           | (39,603)         |
| Non-controlling interests   |      | 343              | (3)              |
|   |      | <u>90,204</u>    | <u>(39,606)</u>  |
| <b>Earnings per share:</b>  | 19   |                  |                  |
| Basic and diluted profit for the period attributable to ordinary equity holders of the parent |      | <u>0.87</u>      | <u>(0.39)</u>    |

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 statement of comprehensive income  
For the six-month periods ended June 30, 2014 and 2013

|  | Note | 2014<br>S/.(000) | 2013<br>S/.(000) |
|--|------|------------------|------------------|
| <b>Profit for the period</b>   |      | 90,204           | (39,606)         |
| <b>Other comprehensive income</b>  |      |                  |                  |
| Unrealized gain (loss) on available-for-sale investments                                     |      | 575              | (1,605)          |
| Transfer of the realized gain on available-for-sale investments to the profit for the period |      | -                | -                |
| Income tax effect  |      | (173)            | 481              |
|  |      | <u>402</u>       | <u>(1,124)</u>   |
| Loss on hedging derivative financial instrument  |      | 555              | 1,039            |
| Income tax effect  |      | -                | (487)            |
|  |      | <u>555</u>       | <u>552</u>       |
| <b>Other comprehensive income for the period, net of income tax effects</b>                  |      | 957              | (572)            |
| <b>Total comprehensive income for the period</b>   |      | <u>91,161</u>    | <u>(40,178)</u>  |
| <b>Attributable to:</b>  |      |                  |                  |
| Owners of the parent   |      | 90,816           | (40,174)         |
| Non-controlling interests  |      | 345              | (4)              |
|  |      | <u>91,161</u>    | <u>(40,178)</u>  |

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

## InRetail Perú Corp. and Subsidiaries

### Interim consolidated statement of change in equity

For the six-month periods ended June 30, 2014 and 2013

|  | <b>Capital stock</b> | <b>Additional paid in capital</b> | <b>Capital premium</b> | <b>Unrealized results on financial instruments</b> | <b>Retained earnings</b> | <b>Total</b>     | <b>Non-controlling interest</b> | <b>Total equity</b> |
|--|----------------------|-----------------------------------|------------------------|--|--------------------------|------------------|---------------------------------|---------------------|
|  | S/.(000)             | S/.(000)                          | S/.(000)               | S/.(000)   | S/.(000)                 | S/.(000)         | S/.(000)                        | S/.(000)            |
| <b>As of January 1, 2013</b>           | 2,138,566            | -                                 | 551,209                | 2,800  | 201,425                  | 2,894,000        | 2,784                           | 2,896,784           |
| Profit for the period                  |                      |                                   |                        |  | (39,603)                 | (39,603)         | (3)                             | (39,606)            |
| Other Comprehensive income             |                      |                                   |                        | (571)  | -                        | (571)            | (1)                             | (572)               |
| <b>Total comprehensive income</b>      | -                    | -                                 | -                      | (571)  | (39,603)                 | (40,174)         | (4)                             | (40,178)            |
| Capital contribution                   | -                    | -                                 |                        |  |                          | -                | -                               | -                   |
| Expenses related to the share          | -                    | -                                 | (1,312)                | -  | -                        | (1,312)          | -                               | (1,312)             |
| Dividends                              |                      |                                   |                        |  | -                        | -                | -                               | -                   |
| Cash contribution                      | -                    |                                   |                        |  |                          | -                |                                 | -                   |
| Others                                 |                      |                                   |                        |  | -                        | -                | -                               | -                   |
| <b>As of June 30, 2013</b>             | <b>2,138,566</b>     | <b>-</b>                          | <b>549,897</b>         | <b>2,229</b>                                       | <b>161,822</b>           | <b>2,852,514</b> | <b>2,780</b>                    | <b>2,855,294</b>    |
| <b>As of January 1, 2014</b>           | 2,138,566            | -                                 | 549,793                | 988  | 264,088                  | 2,953,435        | 4,624                           | 2,958,059           |
| Profit for the period                  | -                    | -                                 |                        | -  | 89,861                   | 89,861           | 343                             | 90,204              |
| Other comprehensive income             | -                    | -                                 | -                      | 955  | -                        | 955              | 2                               | 957                 |
|  | -                    |                                   |                        | 955  | 89,861                   | 90,816           | 345                             | 91,161              |
| Expenses related to the share issuance | -                    | -                                 | -                      |  | -                        | -                |                                 | -                   |
| Dividends                              |                      |                                   |                        |  | -                        | -                | -                               | -                   |
| Others                                 |                      |                                   |                        |  |                          | -                |                                 | -                   |
| <b>As of June 30, 2014</b>             | <b>2,138,566</b>     | <b>-</b>                          | <b>549,793</b>         | <b>1,943</b>                                       | <b>353,949</b>           | <b>3,044,251</b> | <b>4,969</b>                    | <b>3,049,220</b>    |

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

## InRetail Perú Corp. and Subsidiaries

### Interim consolidated statement of cash flows

For the six-month periods ended June 30, 2014 and 2013

|  | <b>2014</b>      | <b>2013</b>     |
|--|------------------|-----------------|
|  | S/.(000)         | S/.(000)        |
| <b>Operating activities</b>  |                  |                 |
| Net profit   | 90,204           | (39,606)        |
| <b>Non-cash adjustment to reconcile profit before tax to net cash flows</b>                  |                  |                 |
| Allowance for doubtful accounts receivable, net of recoveries                                | 849              | 613             |
| Depreciation of property, furniture and equipment  | 55,830           | 46,004          |
| Amortization of intangible assets  | 4,935            | 3,676           |
| Amortization of key money  | 454              | 389             |
| Provision for inventory impairment, net of recoveries  | 3,063            | 2,642           |
| Loss on disposal of property, furniture and equipment and intangible assets                  | 720              | 594             |
| Gain on valuation of investment properties   | (32,228)         | (2,663)         |
| Deferred income  | 28,987           | (11,256)        |
| Net exchange difference  | -                | 111,509         |
| Others   | (311)            | (28,248)        |
| <b>Working capital adjustments</b>   |                  |                 |
| Decrease (increase) in trade receivables   | (12,939)         | 4,727           |
| Increase in other receivables  | (16,369)         | (5,858)         |
| Increase in inventory  | (33,081)         | (93,424)        |
| Increase in prepayments  | (11,761)         | (7,289)         |
| Increase in taxes recoverable  | (873)            | (20,696)        |
| Increase (decrease) in trade payables  | (54,788)         | 7,211           |
| Increase in deferred income  | 34,720           | 3,548           |
| Increase (decrease) in accounts receivables and payables to related parties                  | 6,882            | (16,263)        |
| Increase (decrease) in other payables  | 21,893           | (17,474)        |
| <b>Net cash flows from operating activities</b>  | <u>86,187</u>    | <u>(61,864)</u> |
| <b>Investing activities</b>  |                  |                 |
| Loan collected to related parties  | 36,529           | 78,479          |
| Sales of available for sales investment  | 70,486           | -               |
| Sales of fair value investment through profit and loss                                       | -                | 596,417         |
| Loan granted to related parties  | -                | (29,552)        |
| Purchase of property, furniture and equipment, net of acquisitions through leasing contracts | (118,639)        | (130,593)       |
| Purchase of investment properties, net of acquisitions through leasing contracts             | (147,161)        | (271,350)       |
| Purchase of available for sales investment   | (24,227)         | (11,521)        |
| Purchase of fair value investment through profit and loss                                    | (3,901)          | (226,610)       |
| Purchase and development of intangible assets  | (7,337)          | (16,836)        |
| Value Added tax payment corresponding to work in progress                                    | (30,389)         | (38,545)        |
| <b>Net cash flows used in investing activities</b>   | <u>(224,639)</u> | <u>(50,111)</u> |

## Interim consolidated statement of cash flows (continued)

|  | <b>2014</b>    | <b>2013</b>      |
|--|----------------|------------------|
|  | S/.(000)       | S/.(000)         |
| <b>Financing activities</b>  |                |                  |
| Proceeds from interest-bearing loans and borrowings                | 90,234         | 34,361           |
| Capital contribution   | -              | 1,329            |
| Repayment of interest-bearing loans and borrowings                 | (52,083)       | (31,964)         |
| Expenses related to the share issuance                             | -              | (1,312)          |
| Repayment of bonds payable   | (4,885)        | (161,414)        |
| <b>Net cash flows (used in) from financing activities</b>          | <u>33,266</u>  | <u>(159,000)</u> |
| Net (decrease) increase of cash and short-term deposits            | (105,186)      | (270,975)        |
| <b>Cash and short-term deposits at the beginning of the period</b> | 284,171        | 541,716          |
| <b>Cash and short-term deposits at the end of the period</b>       | <u>178,985</u> | <u>270,741</u>   |

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 condensed consolidated financial statements

As of June 30, 2014 (unaudited) December 31, 2013 (audited) and June 30, 2013 (unaudited)

#### 1. 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 hold 100.00 percent of Intercorp Retail Inc.’s capital stock.

As of June 30, 2014, the percentages of ownership are:

| Owner                        | Percentage of<br>Ownership<br>% |
|------------------------------|---------------------------------|
| Intercorp Retail Inc.        | 58.04                           |
| Intercorp Financial Services | 2.33                            |
| Intercorp Perú Ltd           | 3.26                            |
| Inteligo Bank                | 7.08                            |
| NG Pharma Corp.              | 6.30                            |
| Others                       | 22.99                           |
|                              | <hr/> 100.00 <hr/>              |

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 4to piso, San Borja, Lima Perú.

The accompanying interim consolidated financial statements as of June 30, 2014 and December 31, 2013 were approved by the Board of Directors on August 13, 2014.

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

### 2. Subsidiary activities

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

- (a) Supermercados Peruanos S.A., is dedicated to retail as of June 30, 2014, it owns a chain of 98 stores, composed by 57 hypermarkets that operate under the “Plaza Veá” brand, 35 supermarkets that operate under the “Vivanda” and “Plaza Veá Super” brands, and 6 discount stores that operate under the “Mass” and “Economax” commercial brand (55 hypermarkets, 35 supermarkets and 8 discount stores as of December 31, 2013). Supermercados Peruanos S.A. holds 100 percent of: (i) Peruana de Tiquetes S.A.C. and (ii) Plaza Veá Sur S.A.C.
- (b) Eckerd Perú S.A. is dedicated to the commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements aimed to health protection and recovery through its “InkaFarma” pharmacy chain. As of June 30, 2014 and December 31, 2013 it operates 754 and 725 stores, respectively. Eckerd Perú S.A. holds 100 percent of: (i) Eckerd Amazonía S.A.C. and (ii) Boticas del Oriente S.A.C.
- (c) InRetail Real Estate Corp. is a Holding company incorporated in the Republic of Panama in April 2012. InRetail Real Estate is owner of the 100 percent of capital stock of Patrimonio en Fideicomiso D.S.093-2002-EF- InRetail Shopping Mall (hereinafter “InRetail Shopping Mall”), entity incorporated in May 2014. InRetail Shopping Mall owns 100 percent of the share capital of the following subsidiaries:
  - (i) Real Plaza S.R.L.

Entity dedicated to the management and administration of shopping centers (19 as of June 30, 2014 and 18 as of December 31, 2013.) named “Centro Comercial Real Plaza” and located in the cities of Chiclayo, Piura, Chimbote, Trujillo, Huancayo, Arequipa, Juliaca , Huanuco, Cusco, Cajamarca and Lima.
  - (ii) InRetail Properties Management S.R.L. (formerly Interproperties Perú S.A.)

Entity that provides the staff which manages and operates Interproperties Holding.
  - (iii) 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 investment are made in real estate projects.

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

### 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).

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 annual audited information.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties, derivative financial instrument and available-for-sale investment that have been measured at fair value. The consolidated financial statements are presented in Nuevos Soles and all values are rounded to the nearest thousand (S/.(000)), except when otherwise indicated.

At the date of this report, all the entities consolidated into accompanying financial statements became 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 continue 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 control, is accounted for 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 at December 31, 2013.

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

### 4. Cash and short-term deposits

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

|                       | <b>As of June 30, 2014</b> | <b>As of December 31, 2013</b> |
|-----------------------|----------------------------|--------------------------------|
|                       | S/.(000)                   | S/.(000)                       |
| Cash (b )             | 7,685                      | 12,611                         |
| Current accounts (c ) | 97,178                     | 62,149                         |
| Time deposits (d )    | 71,908                     | 208,964                        |
| Other                 | 2,214                      | 447                            |
| <b>Total</b>          | <b>178,985</b>             | <b>284,171</b>                 |

(b) The balance as of June 30, 2014 and December 31, 2013, 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 Group maintains current accounts in local banks in Nuevos Soles and US Dollars which do not accrue interest and they are freely available.

(d) As of June 30, 2014 and December 31, 2013, the time deposits in local currency are freely available and are kept in local banks, have maturities since inception and bear annual interest rates between 4.05 to 4.40 percent (between 3.00 to 4.40 percent as of December 31, 2013)

### 5. Trade receivables, net

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

|                                      | <b>As of June 30, 2014</b> | <b>As of December 31, 2013</b> |
|--------------------------------------|----------------------------|--------------------------------|
|                                      | S/.(000)                   | S/.(000)                       |
| Trade accounts receivable (c )       | 24,726                     | 21,766                         |
| Rent receivable (d )                 | 7,025                      | 6,386                          |
| Merchandise vouchers (e )            | 54,261                     | 44,746                         |
| Provision for accrued revenue (f )   | 7,440                      | 7,616                          |
| Others                               | 1,779                      | 1,778                          |
| <b>Total</b>                         | <b>95,231</b>              | <b>82,292</b>                  |
| Provision for doubtful accounts (g ) | (5,355)                    | (4,506)                        |
|                                      | <b>89,876</b>              | <b>77,786</b>                  |

(b) Trade receivables are denominated in Nuevos Soles, have current maturity and do not bear interest.

(c) Corresponds mainly to (i) pending deposits in favor of Supermercados Peruanos and Eckerd 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 Eckerd Group and (ii) trade accounts receivable from corporate sales.

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

- (d) Correspond 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 merchandise vouchers to various companies and public institutions. At the date of this report, these balances are mostly collected.
- (f) As of June 30, 2014 and December 31, 2013 relates to services unbilled at period end, mainly due to variable rentals. These amounts were billed in the month subsequent to the reporting date.
- (g) Movements in the provision for doubtful accounts receivable for the six months periods ended June 30, 2014 and 2013, were as follows:

|   | <b>2014</b>  | <b>2013</b>  |
|---|--------------|--------------|
|   | S/.(000)     | S/.(000)     |
| <b>Balance at the beginning of the year</b>       | 4,506        | 3,112        |
| Provision recognized as year expense, Note 16 (a) | 849          | 613          |
| Write offs and recovery's                         | -            | (223)        |
| Exchange foreign currency                         | -            | 21           |
| <b>Balance at the end of the period</b>           | <u>5,355</u> | <u>3,523</u> |
| <br>  |              |              |
| <b>Balance as of December 31, 2013</b>            |              | <u>4,506</u> |

As of June 30, 2014 and December 31, 2013, the balance of the trade receivable amounts to approximately S/.95,231,000 and S/.82,292,000 respectively, out of which approximately S/.5,355,000 and S/.4,506,000 were provisioned for at those dates. Likewise, the amount of non impaired past due trade receivables amounted to S/.35,926,000 and S/.55,349,000, respectively.

In the opinion of Management of the InRetail Group, the provision for doubtful accounts receivable as of June 30, 2014 and December 31, 2013, appropriately covers the credit risk of this item at those dates.

### 6. Inventories, net

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

|  | <b>As of June 30, 2014</b> | <b>As of December 31, 2013</b> |
|--|----------------------------|--------------------------------|
|  | S/.(000)                   | S/.(000)                       |
| Goods  | 794,291                    | 773,151                        |
| In transit inventories (b )                  | 13,992                     | 10,539                         |
| Miscellaneous supplies                       | <u>7,261</u>               | <u>7,299</u>                   |
| <b>Total</b>                                 | 815,544                    | 790,989                        |
| <br>   |                            |                                |
| <b>Minus</b>                                 |                            |                                |
| Provision for impairment of inventories (c ) | <u>(6,538)</u>             | <u>(12,001)</u>                |
| <br>   |                            |                                |
| <b>Total</b>                                 | <u>809,006</u>             | <u>778,988</u>                 |

- (b) Correspond to goods and miscellaneous supplies imported by the Group in order to satisfy customer's demand in its stores.

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

- (c) The movement in the provision for inventory impairment for the six-month periods ended June 30, 2014 and 2013, was as follows:

|   | <b>2014</b><br>S/.(000) | <b>2013</b><br>S/.(000) |
|---|-------------------------|-------------------------|
| <b>Balance at the beginning of the year</b> | 12,001                  | 3,652                   |
| Provision of the period, Note 16(a)         | 3,063                   | 2,642                   |
| Write-off                                   | -                       | -                       |
| Recovery                                    | (8,526)                 | 49                      |
| <b>Balance at the end of the period</b>     | <u>6,538</u>            | <u>6,343</u>            |
| <b>Balance as of December 31, 2013</b>      |                         | <u>12,001</u>           |

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

### 7. Available-for-sale investment

As of June 30, 2014 and December 31, 2013, available for sale investment correspond to notes of the issuance made abroad described in Note 12 (f).

Unrealized loss, net of deferred taxes, from notes maintained as June 30, 2014 and December 31, 2013, amounted to approximately S/.1,123,000 (approximately S/.719,000 as of December 31 2013).

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

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

|                                   | <b>As of June 30, 2014</b><br>S/.(000) | <b>As of December 31, 2013</b><br>S/.(000) |
|-----------------------------------|--|--|
| <b>Cost</b>                       |  |  |
| <b>Initial balance</b>            | 2,666,303                              | 2,236,366                                  |
| Additions ( b )                   | 131,989                                | 446,480                                    |
| Disposals and/or sales ( c )      | (13,736)                               | (16,543)                                   |
| Transfer to Investment properties | (10,941)                               | -  |
| <b>Final balance</b>              | <u>2,773,615</u>                       | <u>2,666,303</u>                           |
| <b>Accumulated depreciation</b>   |  |  |
| <b>Initial balance</b>            | 559,702                                | 472,828                                    |
| Additions ( d )                   | 55,830                                 | 100,622                                    |
| Disposals and/or sales            | (8,877)                                | (13,748)                                   |
| <b>Final balance</b>              | <u>606,655</u>                         | <u>559,702</u>                             |
| <b>Net book value</b>             | <u>2,166,960</u>                       | <u>2,106,601</u>                           |

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

- (b) Additions for the six-months periods ended June 30, 2014 and December 31, 2013 correspond mainly to the construction and equipment of new premises for Supermercados Peruanos S.A. and the Eckerd Group, construction of Eckerd's distribution center and the construction of shopping centers.
- (c) It mainly corresponds to assets sold and to the disposals of unusable assets as a result of the process of change of format in some premises. 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 six-month periods ended June 30, 2014 and 2013, was recorded as follows in the income statements:

|  | <b>2014</b>   | <b>2013</b>    |
|--|---------------|----------------|
|  | S/.(000)      | S/.(000)       |
| Sales expenses, Note 16 (a )           | 48,443        | 39,750         |
| Administrative expenses, Note 16 (a )  | 7,387         | 6,254          |
| <b>Balance as of June 30</b>           | <u>55,830</u> | <u>46,004</u>  |
| <b>Balance as of December 31, 2013</b> |               | <u>100,622</u> |

- (e) As of June 30, 2014, Supermercados Peruanos S.A. has mortgaged land lots, buildings and facilities for a net book value of S/.308,831,000 (S/.285,115,000 as of December 31, 2013), as collateral over the financial obligations and the leasing contracts (see Note 12).
- (f) As of June 30, 2014, the cost and corresponding accumulated depreciation of assets acquired through finance leases amount to approximately S/.404,908,000 and S/.54,248,000 respectively (S/.383,939,000 and S/.44,631,000, respectively, as of December 31, 2013).
- (g) The Subsidiaries of the Company maintain 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 June 30, 2014 | As of December 31,<br>2013 |
|--|---------------------|----------------------------|
|  | S/. (000)           | S/. (000)                  |
| Real Plaza Salaverry shopping Mall                   | 323,349             | 266,435                    |
| Real Plaza Primavera shopping Mall (ii)              | 198,619             | 195,687                    |
| Real Plaza Chiclayo shopping Mall (ii)               | 182,516             | 176,640                    |
| Real Plaza Cuzco shopping Mall                       | 168,150             | 141,202                    |
| Real Plaza Piura shopping Mall                       | 137,620             | 129,553                    |
| Real Plaza Trujillo shopping Mall (ii)               | 122,527             | 121,688                    |
| Real Plaza Cajamarca shopping Mall                   | 118,983             | 111,359                    |
| Real Plaza Huancaayo shopping Mall (i) and (ii)      | 99,933              | 88,537                     |
| Real Plaza Huanuco shopping Mall                     | 85,435              | 84,464                     |
| Real Plaza Arequipa shopping Mall (i) and (ii)       | 68,469              | 67,855                     |
| Real Plaza Juliaca shopping Mall (i) and (ii)        | 66,507              | 59,682                     |
| Real Plaza Pro shopping Mall (ii)                    | 42,387              | 41,641                     |
| Real Plaza Santa Clara - Altamirano Shopping Mall    | 39,023              | 37,244                     |
| Real Plaza Chorrillos shopping Mall (ii)             | 40,837              | 35,202                     |
| Real Plaza Santa Clara shopping Mall (ii)            | 20,154              | 19,927                     |
| Real Plaza Nuevo Chimbote shopping Mall (i) and (ii) | 19,209              | 19,051                     |
| Jr. de la Unión stores                               | 16,846              | 16,616                     |
| Others   | 205,817             | 84,560                     |
|  | 1,956,381           | 1,697,343                  |

- (i) For the construction of these shopping malls and properties, surface right contracts were subscribed with the Arzobispado de Cuzco (on land in Cuzco "San Antonio"), Municipalidad Provincial de Huanuco (on land of "Real Plaza Huanuco" Shopping Mall), Despensa Peruana S.A. and Mercantil Inca S.A. (Perámas), Inmobiliaria Pazos S.A.C. (La Curva), Gobierno Regional de Moquegua, (Moquegua), Ferrovias Central Andina S.A. (Huancaayo), 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 term for periods between 20 and 70 years.
- (ii) "Real Plaza" shopping centers consist of department stores, home improvement, supermarket, other retail shops, a cinema complex and an entertainment area which executed contracts that provide a minimum monthly rent and a variable rent based on sales.



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

(b) The movement of this account for years ended June 30, 2014 and 2013 was as follows:

|  | <b>2014</b>      | <b>2013</b>      |
|--|------------------|------------------|
|  | S/.(000)         | S/.(000)         |
| <b>Balance at the beginning of the year</b>                | 1,697,343        | 1,112,099        |
| Additions  | 216,402          | 279,691          |
| Disposal   | (533)            | -                |
| Fair value adjustment                                      | 32,228           | 2,663            |
| Transfer from property, furniture and equipment; Note 9(a) | 10,941           | -                |
| <b>Balance at the end of the period</b>                    | <u>1,956,381</u> | <u>1,394,453</u> |
| <b>Balance as of December 31, 2013</b>                     |                  | <u>1,697,343</u> |

The fair value of investment properties has been determined on a discounted cash flows method basis by the Management of the 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 Group have 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.

(c) As of June 30, 2014, some of the investment properties guarantee the debt to Deutsche Bank, Note 13(f). At such date, the book value of these investment properties amounts to approximately S/.1,326,180,000 (S/.1,226,765,000 as of December 31, 2013).

### 10. Intangible assets, net

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

|                                 | <b>As of June 30, 2014</b> | <b>As of December 31, 2013</b> |
|---------------------------------|----------------------------|--------------------------------|
|                                 | S/.(000)                   | S/.(000)                       |
| <b>Cost</b>                     |                            |                                |
| <b>Initial balance</b>          | 1,198,091                  | 1,171,227                      |
| Additions (c)                   | 7,322                      | 28,076                         |
| Disposal and/or sales           | (8,036)                    | (1,212)                        |
| <b>Final balance</b>            | <u>1,197,377</u>           | <u>1,198,091</u>               |
| <b>Accumulated amortization</b> |                            |                                |
| <b>Initial balance</b>          | 42,317                     | 34,507                         |
| Additions (d)                   | 4,935                      | 8,371                          |
| Disposals and/or sales          | (8,051)                    | (561)                          |
| <b>Final Balance</b>            | <u>39,201</u>              | <u>42,317</u>                  |
| <b>Net, book value</b>          | <u>1,158,176</u>           | <u>1,155,774</u>               |

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

- (b) As of June 30, 2014 and December 31, 2013, this caption mainly includes approximately S/.373,054,000 and S/.694,283,000 corresponding to the brand “Inkafarma” and goodwill respectively, as a result of the acquisition of the Eckerd Group.

Goodwill and “InkaFarma” brand are tested for impairment annually (as of December 31) and when circumstances indicate that the carrying value may be impaired. The Company and Subsidiaries’ 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 June 30, 2014 and December 31, 2013, additions mainly correspond to disbursements for the acquisition of a commercial software program, a general planning system (ERP) and the corresponding licenses for use; and disbursements for implementation of the application “E3 InkaFarma”, which will be used in the new distribution center.
- (d) Amortization expense for the six-month periods ended June 30, 2014 and 2013 has been recorded in the following items of the combined statements:

|  | <b>2014</b><br>S/.(000) | <b>2013</b><br>S/.(000) |
|--|-------------------------|-------------------------|
| Sales expenses, Note 16 (a )           | 2,957                   | 2,360                   |
| Administrative expenses, Note 16 (a )  | 1,978                   | 1,316                   |
| <b>Balance as of June 30</b>           | <u>4,935</u>            | <u>3,676</u>            |
| <b>Balance as of December 31, 2013</b> |                         | <u>8,371</u>            |

### 11. Trade payables

The table below presents the composition of this caption:

|                                      | <b>As of June 30, 2014</b><br>S/.(000) | <b>As of December 31,<br/>2013</b><br>S/.(000) |
|--------------------------------------|--|--|
| Bills payable for purchase of goods  | 1,077,529                              | 1,121,720                                      |
| Bill payable for commercial services | 164,349                                | 185,763  |
| <b>Total</b>                         | <u>1,241,878</u>                       | <u>1,307,483</u>                               |

This item 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 current maturities and that do not bear any interest. There have been no liens granted on these obligations.

The InRetail Group offers to its suppliers access to an accounts payable services 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. The InRetail Group has no direct financial interest in these transactions. All of the InRetail Group’s obligations, including amounts due, remain due to its suppliers as stated in the supplier agreements.

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

### 12. Interest-bearing loans and borrowings

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

| Type of obligation                                     | Original currency | Interes rate %         | Maturity final | Original amount |                | Total          |                | Corriente     |               | No corriente   |                |
|--|-------------------|------------------------|----------------|-----------------|----------------|----------------|----------------|---------------|---------------|----------------|----------------|
|  |                   |                        |                | US\$ (000)      | S/(000)        | 2014           | 2013           | 2014          | 2013          | 2014           | 2013           |
|  |                   |                        |                | S/(000)         | S/(000)        | S/(000)        | S/(000)        | S/(000)       | S/(000)       |                |                |
| <b>Subordinated bonds (b)</b>                          |                   |                        |                |                 |                |                |                |               |               |                |                |
| Issued for the restructuring of the financial position |                   |                        |                |                 |                |                |                |               |               |                |                |
| 1st Issuance   | USD               | 7.50                   | 2014           | 12,000          | -              | 33,552         | 33,552         | 33,552        | 33,552        | -              | -              |
| 2nd Issuance   | USD               | 8.04                   | 2014           | 7,005           | -              | 19,586         | 19,586         | 19,586        | 19,586        | -              | -              |
| 3rd Issuance   | PEN               | 8.49                   | 2014           | -               | 21,540         | 21,540         | 21,540         | 21,540        | 21,540        | -              | -              |
|  |                   |                        |                | <u>19,005</u>   | <u>21,540</u>  | <u>74,678</u>  | <u>74,678</u>  | <u>74,678</u> | <u>74,678</u> | <u>-</u>       | <u>-</u>       |
| <b>Corporate bonds (c) (d)</b>                         |                   |                        |                |                 |                |                |                |               |               |                |                |
| 1st Issuance   | PEN               | 6.70                   | 2016           | -               | 28,437         | 10,156         | 12,187         | 2,031         | 4,062         | 8,125          | 8,125          |
| 2nd Issuance   | PEN               | 7.75                   | 2019           | -               | 57,090         | 31,400         | 34,254         | 2,855         | 5,709         | 28,545         | 28,545         |
|  |                   |                        |                | <u>-</u>        | <u>85,527</u>  | <u>41,556</u>  | <u>46,441</u>  | <u>4,886</u>  | <u>9,771</u>  | <u>36,670</u>  | <u>36,670</u>  |
| <b>Leasings (g)</b>                                    |                   |                        |                |                 |                |                |                |               |               |                |                |
| <b>Related entities</b>                                |                   |                        |                |                 |                |                |                |               |               |                |                |
| Banco Internacional del Perú-Interbank                 | PEN               | 7.85                   | 2014           | -               | 28,355         | 28,359         | 25,153         | 16,450        | 13,072        | 11,909         | 12,081         |
| Banco Internacional del Perú-Interbank                 | PEN               | Between 6.85 and 11.43 | 2019           | -               | 142,029        | 91,416         | 99,152         | 27,237        | 23,366        | 64,179         | 75,786         |
| Banco Internacional del Perú-Interbank                 | USD / PEN         |                        | 2016           | 35              | 95             | 251            | 61             | 35            | 20            | 216            | 41             |
| Banco Internacional del Perú-Interbank                 | PEN               | 8.25                   | 2016           | -               | 7,401          | 3,317          | 4,068          | 1,592         | 1,664         | 1,725          | 2,404          |
| <b>Non-related entities</b>                            |                   |                        |                |                 |                |                |                |               |               |                |                |
| Hewlett Packard S.A.                                   | USD               | 2.93                   | 2017           | 3,678           | -              | 8,279          | 7,485          | 3,038         | 2,499         | 5,241          | 4,986          |
| IBM Perú SAC   | USD               | 3.10                   | 2016           | 100             | -              | 182            | 218            | 56            | 92            | 126            | 126            |
| IBM Perú SAC   | USD               | 2.93                   | 2016           | 664             | -              | 1,292          | 1,724          | 772           | 839           | 520            | 885            |
| Banco de Crédito del Perú                              | PEN               | Between 6.59 and 7.76  | 2018           | -               | 17,424         | 44,146         | 47,367         | 7,013         | 3,035         | 37,133         | 44,332         |
| Banco de Crédito del Perú                              | PEN               |                        | 2019           | -               | 54,748         | 23,253         | 24,629         | 3,824         | 3,393         | 19,429         | 21,236         |
| Banco de Crédito del Perú                              | USD               | 7.62                   | 2023           | 20,000          | -              | 53,192         | 55,838         | 2,591         | 3,978         | 50,601         | 51,860         |
| BBVA Banco Continental                                 | PEN               | Between 5.96 and 10.85 | 2018           | -               | 69,850         | 25,052         | 32,326         | 8,775         | 12,509        | 16,277         | 19,817         |
| BBVA Banco Continental                                 | USD / PEN         |                        | 2017           | 4,658           | 9,244          | 1,460          | 2,035          | 1,063         | 1,123         | 397            | 912            |
| Banco Interamericano de Finanzas                       | PEN               | 8.35                   | 2014           | -               | 6,628          | -              | 512            | -             | 512           | -              | -              |
| Banco Scotiabank                                       | PEN               | 7.79                   | 2018           | -               | 21,864         | 32,918         | 19,122         | 5,620         | 3,040         | 27,298         | 16,082         |
| Banco Scotiabank                                       | USD               | 4.70                   | 2014           | 264             | -              | 1              | 2              | 1             | 2             | -              | -              |
|  |                   |                        |                | <u>29,505</u>   | <u>360,201</u> | <u>313,118</u> | <u>319,692</u> | <u>78,067</u> | <u>69,144</u> | <u>235,051</u> | <u>250,548</u> |

Notes to the interim consolidated financial statements (continued)

| Type Obligation                         | Original currency | Interest rate %       | Maturity final | Original amount       |                       | Total                   |                         | Corriente             |                       | No corriente            |                         |
|---|-------------------|-----------------------|----------------|-----------------------|-----------------------|-------------------------|-------------------------|-----------------------|-----------------------|-------------------------|-------------------------|
|   |                   |                       |                | US\$ (000)            | S/(000)               | 2014                    | 2013                    | 2014                  | 2013                  | 2014                    | 2013                    |
|   |                   |                       |                | S/(000)               | S/(000)               | S/(000)                 | S/(000)                 | S/(000)               | S/(000)               |                         |                         |
| <b>Lease back</b>                       |                   |                       |                |                       |                       |                         |                         |                       |                       |                         |                         |
| <b>Related entities</b>                 |                   |                       |                |                       |                       |                         |                         |                       |                       |                         |                         |
| Banco Internacional del Perú-Interbank  | PEN               | 8.25                  | 2015           | -                     | 588                   | 173                     | 247                     | 158                   | 152                   | 15                      | 95                      |
| Banco Internacional del Perú-Interbank  | PEN               | 8.90                  | 2026           | -                     | 108,300               | 106,957                 | 55,715                  | 3,943                 | 2,454                 | 103,014                 | 53,261                  |
|   |                   |                       |                | <u>-</u>              | <u>108,888</u>        | <u>107,130</u>          | <u>55,962</u>           | <u>4,101</u>          | <u>2,606</u>          | <u>103,029</u>          | <u>53,356</u>           |
| <b>Foreing loans</b>                    |                   |                       |                |                       |                       |                         |                         |                       |                       |                         |                         |
| Intercorp Retail Trust (e)              | USD               | 10.134                | 2018           | 130,000               | -                     | 352,194                 | 351,181                 | -                     | -                     | 352,194                 | 351,181                 |
| Bank of America (e)                     | USD               | 10.134                | 2018           | 140,000               | -                     | 374,566                 | 372,870                 | -                     | -                     | 374,566                 | 372,870                 |
| Deutsche Bank (f)                       | USD               | 9.426                 | 2023           | 185,000               | -                     | 501,989                 | 455,032                 | -                     | -                     | 501,989                 | 455,032                 |
|   |                   |                       |                | <u>455,000</u>        | <u>-</u>              | <u>1,228,749</u>        | <u>1,179,083</u>        | <u>-</u>              | <u>-</u>              | <u>1,228,749</u>        | <u>1,179,083</u>        |
| <b>Promissory notes and loans (g)</b>   |                   |                       |                |                       |                       |                         |                         |                       |                       |                         |                         |
| <b>Non-related entities</b>             |                   |                       |                |                       |                       |                         |                         |                       |                       |                         |                         |
| Banco de Crédito del Perú               | USD               | 6.60                  | 2021           | 12,000                | -                     | 26,368                  | 27,990                  | 3,054                 | 3,201                 | 23,314                  | 24,789                  |
| Banco Scotiabank                        | PEN               | 5.05                  | 2014           | -                     | 13,900                | 13,900                  | -                       | 13,900                | -                     | -                       | -                       |
| BBVA Banco Continental                  | PEN               | 4.95                  | 2014           | -                     | 8,000                 | 8,000                   | -                       | 8,000                 | -                     | -                       | -                       |
|   |                   |                       |                | <u>12,000</u>         | <u>21,900</u>         | <u>48,268</u>           | <u>27,990</u>           | <u>24,954</u>         | <u>3,201</u>          | <u>23,314</u>           | <u>24,789</u>           |
| <b>Obligations to third parties (h)</b> |                   |                       |                |                       |                       |                         |                         |                       |                       |                         |                         |
| Hewlett Packard S.A.                    | USD               | Between 2.23 and 8.00 | 2014           | 11,549                | -                     | 11,228                  | 11,465                  | 4,744                 | 5,129                 | 6,484                   | 6,336                   |
| IBM Perú SAC                            | USD               | 8.00                  | 2015           | 6,441                 | -                     | 2,454                   | 3,526                   | 1,405                 | 1,828                 | 1,049                   | 1,698                   |
| IBM Perú SAC                            | USD / PEN         | 7.45                  | 2016           | 36                    | 86                    | 61                      | 68                      | 16                    | 23                    | 45                      | 45                      |
|   |                   |                       |                | <u>18,026</u>         | <u>86</u>             | <u>13,743</u>           | <u>15,059</u>           | <u>6,165</u>          | <u>6,980</u>          | <u>7,578</u>            | <u>8,079</u>            |
| <b>Total</b>                            |                   |                       |                | <u><b>533,536</b></u> | <u><b>598,142</b></u> | <u><b>1,827,242</b></u> | <u><b>1,718,905</b></u> | <u><b>192,851</b></u> | <u><b>166,380</b></u> | <u><b>1,634,391</b></u> | <u><b>1,552,525</b></u> |

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

(b) Supermercados Peruanos S.A. must comply, until maturity and cancellation of the aforementioned bonds, with certain obligations and restrictive clauses. The main obligations include the maintenance of the following financial ratios:

- Financial debt / EBITDA not higher than 3.0,
- Debt to equity ratio no higher than 2.5,

The Subordinated Bonds are subject to de compliance with financial ratios.

Compliance with obligations and restrictive clauses is monitored by Management of Supermercados Peruanos S.A. Should Supermercados Peruanos S.A. not comply with the aforementioned obligations during the term established by the contract, upon alerting the lender, the latter shall have the right to declare that the terms of the obligations have terminated and demand the payment of part and/or the entirety of the indebted amounts. As of June 30, 2014 and December 31, 2013 Supermercados Peruanos S.A. has complied with all the described obligations and restrictive clauses.

(c) As of June 30, 2014 and December 31, 2013, the Company and Subsidiaries has outstanding corporate bonds for S/. 41,556,000 and S/.46,441,000, respectively, which accrue annual interest rates that fluctuate between 6.70 and 8.00 percent, and whose maturities are between 2016 and 2019.

(d) Some of the bonds issued include standard clauses requiring the InRetail Group to meet financial ratios, use of funds criteria and other administrative matters. In Management's opinion, as of June 30, 2014 and December 31, 2013, said standard clauses do not limit the normal operation of the Group and have been fulfilled.

(e) In November 2011, Intercorp Retail Inc. issued through Intercorp Retail Trust, a financial trust incorporated in the Cayman Islands with the purpose of perform this issuance, an offering of US\$300,000,000 in Senior Guarantee Notes due in November 2018 at an 8.875 percent nominal interest rate. From this issuance, US\$ 270,000,000 were channelled to the Company through a promissory note in favor of Intercorp Retail Trust subscribed by the Company and to Supermercados Peruanos S.A. through a "Loan Agreement" in favor of Bank of America, subscribed by Supermercados Peruanos S.A. The consolidated amount of said loans amounted to US\$270,000,000 (equivalent to S/.754,920,000 as of June 30, 2014 and December 31,2013), which accrue interests at an 8.875 percent nominal annual rate. Said loans were recorded in the consolidated financial statements at their amortized cost and at a 10.134 percent effective interest rate after considering the respective up-front fees that amounted to S/. 9,293,000 and a guarantee deposit of S/. 35,997,000 (equivalent to US\$13,312,000), which is not refundable and will be applied to the principal related to the Bank of America at the maturity date. InRetail Group allocated the funding, mainly to the cancellation of a loan previously obtained for the acquisition of Eckerd Peru S.A., promissory notes and commercial papers, as well as to the payment for the acquisition of land lots and the construction of new commercial premises for its Subsidiaries.

Said financial obligations are presented net of the aforementioned initial charges and the guarantee deposit. The consolidated net balance of these borrowings as of June 30, 2014 and December 31,2013, amounted S/.726,760,000 and S/.724,051,000; respectively.

The 100 percent of the senior notes is guaranteed by the Subsidiaries Supermercados Peruanos S.A. and Eckerd Peru S.A., as well as other related entities which are subsidiaries of Intercorp Retail Inc.

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

- (f) In November 2011, Interproperties Holding issued through Interproperties Holding Trust, a financial trust incorporated in the Cayman Islands with the purpose of perform this issuance, and offering of US\$185,000,000 in Senior Guaranteed Notes due in November 2023 at an 8.75 percent nominal interest rate. This issuance was channelled to Interproperties Holding through a "Loan agreement" in favor of Deutsche Bank AG, London Branch. The funds from this financing were used to purchase properties, invest in new building projects, to repay debts and payments, including fees and expenses, in connection with this transaction. Interproperties Holding has given certain investment properties in guarantee for this debt, see Note 9(c).

Said financial obligation was recorded in the consolidated financial statement at amortized cost at a 9.426 percent annual effective interest rate after considering the respective up-front fees that amounted to S/.18,227,000 (equivalent to US\$6,783,984). Additionally, as of December 31, 2013, the balance is presented net of S/.44,960,000 corresponding to notes of this issuance held by InRetail Real Estate Corp., a Subsidiary of the Company.

- (g) 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(f). Such obligations do not have any special conditions that must be complied (covenants), or restrictions affecting the operations of the InRetail Group.
- (h) Corresponds to the debt that Subsidiaries. acquired with IBM del Perú S.A.C. to purchase computer equipment. Likewise, Hewlett Packard S.A. signed a promissory note with Supermercados Peruanos S.A. to finance the payment of the balances indebted to SAP Andina del Caribe S.A. for the development of the SAP system. Said contracts do not have any specific guarantee.
- (i) During the six-month-periods ended June 30, 2014 and 2013, loans and borrowings accrued interest which is recorded in the "Finance costs" caption of the consolidated income statements, see Note 17. Also, as of June 30, 2014 and December 31, 2013, there are interests payable which are recorded in the "Other payables" caption of the consolidated statements of financial position.
- (j) Some of the interest-bearing loans and borrowing include standard clauses requiring the InRetail Group to meet financial ratios, use of funds criteria and other administrative matters. Management's opinion, as of June 30, 2014 and December 31, 2013, said standard clauses do not limit the normal operation of the Group and have been fulfilled.

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

### 13. Deferred income tax liabilities, net

- (a) The amounts presented in the statement of financial position as of June 30, 2014 and December 31, 2013, as well as the consolidated income statements for the six-month periods ended June 30, 2014 and 2013 are shown below:

| Statements of financial position   | Deferred liability, net             |  |
|------------------------------------|-------------------------------------|--|
|                                    | As of June 30,<br>2014<br>S/. (000) | As of December 31,<br>2013<br>S/.(000) |
| Deferred income tax asset          | 43,786                              | 43,197                                 |
| Deferred income tax liabilities    | <u>(286,388)</u>                    | <u>(256,419)</u>                       |
| Deferred income tax liability, net | <u>(242,602)</u>                    | <u>(213,222)</u>                       |

  

| Statements of comprehensive income | Income tax for the six-moth periods ended<br>June 30, 2014 and 2013 |                  |
|------------------------------------|---|------------------|
|                                    | 2014<br>S/. (000)   | 2013<br>S/.(000) |
| Current                            | (21,886)  | (18,393)         |
| Deferred                           | <u>(28,987)</u>   | <u>11,256</u>    |
|                                    | <u>(50,873)</u>   | <u>(7,137)</u>   |

- (b) As of June 30, 2014 and December 31, 2013 the provision for current income tax payable, net of advanced payments amounts to approximately S/.17,730,000 and S/.390,000, respectively.

### 14. Equity

- (a) Capital stock –  
As of June 30, 2014 and December 31, 2013, 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/. 549,793,000.

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

### 15. 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 of 4.1 percent over dividends received from entities domiciled in Peru. The entity that distributes the dividends is responsible of performing the retention of the indicated tax.

- (c) The Company's Subsidiaries domiciled in Peru are subject to the Peruvian Tax System and, in compliance with current Peruvian legislation they calculate their Income tax on the basis of their individual financial statements. As of June 30, 2014 and December 31, 2013, the statutory Income Tax rate was 30 percent on taxable income, after calculating the employees profit sharing, which according to prevailing standards is computed with a rate between 5 to 8 percent.
- (d) Law No. 29663, later amended by law 29757, which are considered established Peruvian source income to those 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 occurs 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 share's market value of the Peruvian company 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 and Value Added 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 Group, Management and its legal advisors consider that as consequence of the application of the regulation in force, there will not emerge any significant contingencies for the Group as of June 30, 2014 and December 31, 2013.



## 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 during a term of four years following the year in which the tax declaration has been submitted. Following are the years subject to review by the tax authority of the Subsidiaries of InRetail Peru Corp. incorporated in Peru:

|                                       | <b>Income<br/>Tax</b>        | <b>Value added<br/>tax</b>   |
|---------------------------------------|------------------------------|------------------------------|
| Supermercados Peruanos S.A.           | From 2009 to 2013            | From 2009 to 2013            |
| Eckerd Perú S.A.                      | 2012 and 2013                | 2012 and 2013                |
| Eckerd Amazonia S.A.C.                | 2010, 2012 and 2013          | 2010, 2012 and 2013          |
| Boticas del Oriente S.A.C.            | 2009, 2010, 2012 and<br>2013 | 2009, 2010, 2012 and<br>2013 |
| Real Plaza S.R.L.                     | From 2009 to 2013            | From 2009 to 2013            |
| InRetail Properties Management S.R.L. | From 2010 to 2013            | From 2010 to 2013            |

According to Peruvian law, InRetail Shopping Mall and Interproperties Holding are not considered an income taxpayer due to its status as a trust. InRetail Shopping Mall and Interproperties Holding attributes 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.

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 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 advisors opinion, any eventual additional tax settlement would not be significant to the consolidated financial statements as of June 30, 2014 and December 31, 2013.

### 16. Operating expenses

- (a) The table below presents the components of this caption for the six-month periods ended June 30, 2014 and 2013:

|                         | <b>2014</b>      | <b>2013</b>      |
|-------------------------|------------------|------------------|
|                         | S/.(000)         | S/.(000)         |
| Cost of sales           | 2,033,753        | 1,796,538        |
| Selling expenses        | 563,124          | 491,731          |
| Administrative expenses | <u>80,516</u>    | <u>78,098</u>    |
|                         | <u>2,677,393</u> | <u>2,366,367</u> |

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

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

|   | <b>2014</b>          |                         |                                |                  |
|---|----------------------|-------------------------|--------------------------------|------------------|
|   | <b>Cost of sales</b> | <b>Selling expenses</b> | <b>Administrative expenses</b> | <b>Total</b>     |
|   | S/.(000)             | S/.(000)                | S/.(000)                       | S/.(000)         |
| Initial balance of goods, Note 6(a)                 | 774,024              | -                       | -                              | 774,024          |
| Purchase of goods                                   | 2,001,090            | -                       | -                              | 2,001,090        |
| Final balance of goods, Note 6(a)                   | (794,291)            | -                       | -                              | (794,291)        |
| Impairment of inventories note 6 (c)                | 3,063                | -                       | -                              | 3,063            |
| Cost of services                                    | 49,867               | -                       | -                              | 49,867           |
| Packing and packaging                               | -                    | 13,855                  | 126                            | 13,981           |
| Personnel expenses                                  | -                    | 227,588                 | 44,882                         | 272,470          |
| Depreciation, Note 8(d)                             | -                    | 48,443                  | 7,387                          | 55,830           |
| Amortization, Note 10(d)                            | -                    | 2,957                   | 1,978                          | 4,935            |
| Key money amortizacion                              | -                    | 454                     | -                              | 454              |
| Services provided by third parties (b)              | -                    | 89,154                  | 15,845                         | 104,999          |
| Advertising   | -                    | 40,836                  | -                              | 40,836           |
| Rental of premises                                  | -                    | 51,693                  | 3,051                          | 54,744           |
| Taxes   | -                    | 11,416                  | 1,373                          | 12,789           |
| Provision for doubtful trade receivables, Note 5(g) | -                    | 849                     | -                              | 849              |
| Provision for doubtful other account receivables,   | -                    | -                       | -                              | -                |
| Insurance   | -                    | 4,330                   | 421                            | 4,751            |
| Other charges (c)                                   | -                    | 71,549                  | 5,453                          | 77,002           |
|   | <b>2,033,753</b>     | <b>563,124</b>          | <b>80,516</b>                  | <b>2,677,393</b> |
|   | <b>2013</b>          |                         |                                |                  |
|   | <b>Cost of sales</b> | <b>Selling expenses</b> | <b>Administrative expenses</b> | <b>Total</b>     |
|   | S/.(000)             | S/.(000)                | S/.(000)                       | S/.(000)         |
| Initial balance of goods,                           | 591,800              | -                       | -                              | 591,800          |
| Purchase of merchandise                             | 1,844,741            | -                       | -                              | 1,844,741        |
| Final balance of goods                              | (672,429)            | -                       | -                              | (672,429)        |
| Impairment of inventories,                          | 2,642                | -                       | -                              | 2,642            |
| Cost of services                                    | 29,784               | -                       | -                              | 29,784           |
| Packing and packaging                               | -                    | 14,026                  | 429                            | 14,455           |
| Personnel expenses                                  | -                    | 194,955                 | 46,915                         | 241,870          |
| Depreciation, Note 8(d)                             | -                    | 39,750                  | 6,254                          | 46,004           |
| Amortization, Note 10(d)                            | -                    | 2,360                   | 1,316                          | 3,676            |
| Key money amortizacion                              | -                    | 389                     | -                              | 389              |
| Services provided by third parties (b)              | -                    | 83,465                  | 13,244                         | 96,709           |
| Advertising   | -                    | 37,701                  | -                              | 37,701           |
| Rental of premises                                  | -                    | 44,499                  | 2,836                          | 47,335           |
| Taxes   | -                    | 9,591                   | 1,186                          | 10,777           |
| Provision for doubtful trade receivables, Note 5(g) | -                    | 390                     | -                              | 390              |
| Insurance   | -                    | 3,880                   | 287                            | 4,167            |
| Other charges (c)                                   | -                    | 60,725                  | 5,631                          | 66,356           |
|   | <b>1,796,538</b>     | <b>491,731</b>          | <b>78,098</b>                  | <b>2,366,367</b> |

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

- (b) Correspond mainly to expenses on electricity, water, telephone, premises maintenance services and transport services.
- (c) Mainly include general expenses in stores and shopping centers.

### 17. Finance costs

For the six-month periods ended as of June 30, 2014 and 2013, this caption mainly includes interests generated by bonds issued and loans and borrowings for a total amount of approximately S/.76,633,000 and S/.75,281,000, respectively. Also, as of June 30, 2014 and December 31, 2013, there are interests payable for these obligations for approximately S/.21,465,000 and S/.19,023,000, respectively, which are recorded in the "Other payable" caption of the consolidated statements of financial position.

### 18. Transactions with related parties

- (a) The following table provides the total amount of transactions that have been entered into with related parties for the six-month periods ended as of June 30, 2014 and 2013:

|                              | <b>2014</b><br>S/.(000) | <b>2013</b><br>S/.(000) |
|------------------------------|-------------------------|-------------------------|
| <b>Income</b>                |                         |                         |
| Sales                        | 1,860                   | 4,388                   |
| Rental income                | 27,634                  | 19,033                  |
| Rendering of services        | 25,785                  | 39,584                  |
| Other                        | 7,688                   | 8,100                   |
|                              | <u>62,967</u>           | <u>71,105</u>           |
| <b>Expenses</b>              |                         |                         |
| Renting of premises and land | 5,033                   | 3,799                   |
| Reimbursements of expenses   | 234                     | 159                     |
| Commissions                  | 1,172                   | 218                     |
| Other services               | 174                     | 986                     |
| Interest                     | 4,255                   | 2,691                   |
| Others                       | 8,297                   | 6,536                   |
|                              | <u>19,165</u>           | <u>14,389</u>           |

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

(b) As a result of the transactions with related companies, the InRetail Group recorded the following balances as of June 30, 2014 and December 31, 2013:

|  | As of June 30, 2014 | As of December 31,<br>2013 |
|--|---------------------|----------------------------|
|  | S/.(000)            | S/.(000)                   |
| <b>Receivables</b>                               |                     |                            |
| Banco Internacional del Perú S.A.A. – Interbank  | 6,151               | 6,944                      |
| Interseguro Compañía de Seguros S.A.             | 892                 | 1,099                      |
| Cineplex S.A.                                    | 1,191               | 1,132                      |
| Tiendas Peruanas S.A.                            | 12,573              | 3,132                      |
| Urbi   | 191                 | 177                        |
| Intercorp Perú Ltd. (d)                          | -                   | 24,394                     |
| Home Centers Peruanos S.A. (e)                   | 12,165              | 28,755                     |
| Financiera Uno S.A.                              | 8,981               | 7,988                      |
| Bembos   | 1,469               | 1,409                      |
| Others   | 9,329               | 8,154                      |
|  | <u>52,942</u>       | <u>83,184</u>              |
|  | <u>52,942</u>       | <u>83,184</u>              |
|  | As of June 30, 2014 | As of December 31,<br>2013 |
|  | S/.(000)            | S/.(000)                   |
| <b>Payables</b>                                  |                     |                            |
| Banco Internacional del Perú S.A.A. – Interbank: |                     |                            |
| Credit line and others (f)                       | 284                 | 1,236                      |
| Guarantee deposit (g)                            | 3,835               | 3,642                      |
| Horizonte Global Opportunities Perú S.A. (h)     | 488                 | 554                        |
| Cineplex S.A.                                    | 35                  | 59                         |
| Interseguro Compañía de Seguros S.A.             | 59,952              | 803                        |
| Intercorp Retail Inc. (i)                        | 23,441              | 25,544                     |
| Tiendas Peruanas S.A.                            | 124                 | 268                        |
| Financiera Uno S.A.                              | 14,745              | 21                         |
| Others   | 1,101               | 931                        |
|  | <u>104,005</u>      | <u>33,058</u>              |
|  | <u>104,005</u>      | <u>33,058</u>              |
| Remunerations payable to key management (j)      | -                   | 121                        |
|  | <u>104,005</u>      | <u>33,179</u>              |
|  | <u>104,005</u>      | <u>33,179</u>              |
| Current portion                                  | 100,170             | 29,537                     |
| Non-current portion                              | 3,835               | 3,642                      |
| <b>Total</b>                                     | <u>104,005</u>      | <u>33,179</u>              |

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.

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

- (c) Outstanding balances at the year-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 June 30, 2014 and December 31, 2013, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.
- (d) As of December 31, 2013, the balance receivable from Intercorp Peru Ltd. corresponds to a loan in Nuevos soles that includes accrued interest at market rates of 7 percent annual, which was collected entirely in May 2014.
- (e) As of June 30, 2014, the balance receivable from Home Center Include S/.5,900,000 for the reimbursement of import of goods and merchandise.
- (f) Includes amounts payable corresponding to professional services, commissions and financial cost. Financial costs have been generated from loans received during the period, which accrued market interest rates.
- (g) Supermercados Peruanos S.A. and Banco Internacional del Perú – Interbank, signed contracts on future leases of financial stores for 15 and 7 years in October 2004 and September 2009, respectively. These contracts amount to approximately S/.27,212,000, (equivalent to approximately US\$8,000,000) and S/.14,788,000 (equivalent to approximately US\$5,016,000) which were collected in advance by Supermercados Peruanos S.A. and are presented in the “Deferred revenue” caption in the consolidated statements of financial position.

Additionally, and only in the case of the 2004 contract, Supermercados Peruanos S.A. received from Banco Internacional del Perú – Interbank US\$2,000,000 as collateral for the contract. As of June 30, 2014 and December 31, 2013, Supermercados Peruanos S.A. has credited the update of the present value of this deposit in the “Financial income” caption. As of June 30, 2014 and December 31, 2013, the net present value of the balances related to guarantee deposits amounts to S/.3,835,000 and S/.3,642,000, respectively, and is accounted for in the “Other payables” caption.

In relation to such contracts, during the six-month periods ended June 30, 2014 Supermercados Peruanos S.A. recognized accrued renting revenue that amounted to approximately S/.1,626,000, equivalent to US\$541,000 (S/.1,774,000, equivalent to approximately US\$591,000 during the six-month periods ended June 30, 2013), which are recorded net of the renting expenses in the “Rental income” caption in the consolidated statements of income.

As of June 30, 2014 Supermercados Peruanos S.A. maintains deferred revenue that amounts to approximately S/.7,893,000 (S/.9,407,000 as of December 31, 2013) which will be recognized as income in upcoming periods.

- (h) Correspond to balances payable on land an premises renting.
- (i) As of June 30, 2014 and December 31, 2013 corresponded to the account payable for some expenses assumed by Intercorp Retail Inc. This balance did not generate interest and current maturities.

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

- (j) The compensation of key management personnel of the Group for the six-month periods ended June 30, 2014 and 2013, is detailed below:

|  | <b>2014</b><br>S/.(000) | <b>2013</b><br>S/.(000) |
|--|-------------------------|-------------------------|
| Short term employee benefits                 | 9,935                   | 7,004                   |
| Post-employment pension and medical benefits | 368                     | 211                     |
| Termination benefits                         | <u>259</u>              | <u>53</u>               |
|  | <u>10,562</u>           | <u>7,268</u>            |

- (k) As of June 30, 2014 and December 31, 2013, the Group maintains the following balances in the cash and cash equivalent captions:

|   | <b>2014</b><br>S/.(000) | <b>2013</b><br>S/.(000) |
|---|-------------------------|-------------------------|
| Banco Internacional del Peru – Interbank S.A.A. | 69,183                  | 180,476                 |
| Inteligo Bank Ltd.                              | 152                     | 348                     |

### Interest-bearing loans and borrowings (Note,12)

- (l) Banco Internacional del Perú – Interbank signed leasing and leaseback contracts with Supermercados Peruanos S.A., Eckerd S.A., Interproperties Holding and Real Plaza for approximately S/142,029,000, S/28,355,000, S/116,289,000, and S/95,000 respectively, for the construction of new stores, Real Plaza shopping center building located in Santa Clara and working capital. These leasing contracts accrue annual interest rates that fluctuate between 6.45 and 11.43 percent, and whose maturities are between 2014 and 2016. These transaction are included in Interest-bearing loans and borrowings, see Note 12. During the six-month periods ended June 30, 2014 and 2013, leasing contracts generated interests which are recorded in the “Financial costs” caption of the consolidated income statements.

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

### 19. Earnings per share

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

The following reflects basic and diluted earnings per share computations:

|   | <b>Ordinary shares</b>                               |  |                                       |
|---|--|--|---------------------------------------|
|   | <b>Outstanding shares</b>                            | <b>Effective days until period-end</b> | <b>Weighted average of shares</b>     |
| <b>Number as of January 1, 2013</b>         | 102,807,319  |  | 102,807,319                           |
| <b>Number as of June 30, 2013</b>           | 102,807,319  |  | 102,807,319                           |
| <b>Number as of January 1, 2014</b>         | 102,807,319  |  | 102,807,319                           |
| <b>Number as of June 30, 2014</b>           | 102,807,319  |  | 102,807,319                           |
|   | <b>For the six-month-periods ended june 30, 2014</b> |  |                                       |
|   | <b>Net income<br/>(numerator)<br/>S/.</b>            | <b>Shares<br/>(denominator)</b>        | <b>Earnings per<br/>share<br/>S/.</b> |
| <b>Basic and diluted earnings per share</b> | 89,861,000   | 102,807,319                            | 0.87                                  |
|   | <b>For the six-month-periods ended June 30, 2013</b> |  |                                       |
|   | <b>Net income<br/>(numerator)<br/>S/.</b>            | <b>Shares<br/>(denominator)</b>        | <b>Earnings per<br/>share<br/>S/.</b> |
| <b>Basic and diluted earnings per share</b> | (39,603,000)   | 102,807,319                            | (0.39)                                |

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

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

### 20. Commitments and contingencies

#### Commitments –

The main commitments assumed are presented below:

- (a) As of June 30, 2014 and December 31, 2013, the Company and its Subsidiaries have signed renting contracts with third parties for the premises in which some of its stores operate. The assumed commitments correspond to fixed and/or variable monthly rents base on sales, whichever is highest.

The total commitments are assumed to be calculated on the basis of the fixed renting and paid up until 2043.

- (b) As of June 30, 2014, the Company as its Subsidiaries agreed with several financial entities on the issuance joint by and severally irrevocable letters of guarantee for approximately S/.18,119,000 (S/.17,826,000 as of December 31, 2013), respectively, for compliance with the payment for purchase of goods to foreign suppliers.
- (c) During 2014 and 2013, Interproperties Holding holds a letter of guarantee, which guarantees the right and timely compliance of certain obligations related to shopping center projects.
- (d) As of June 30, 2014, Intercorp Retail Inc. (see Note 1(a)), maintains a loan granted by Intercorp Retail Trust, a non-related entity, for US\$30,000,000, which is unconditionally and irrevocable guaranteed by the Eckerd Group.

#### Contingencies –

- (a) Eckerd Amazonía S.A.C. is in the process of claim against the Tax Authority for determinations of debts and fines related to VAT for the period between January 2003 and June 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 June 30, 2014 and December 31, 2013.
- (b) Supermercados Peruanos S.A. is a party to tax proceedings related to Income Tax and monthly Value Added Tax presented in taxable years 2004, 2005, 2006, 2007 and 2008. 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 June 30, 2014 and December 31, 2013.

### 21. Business segments

For management purposes, the InRetail Group is organized into business units based on their products and services and has three 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".
- Shopping center segment leases commercial stores in shopping centers owned by the InRetail Group.

No operating segments have been aggregated to form the above reportable operating segments.

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

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



## Notes to the interim consolidated financial statements

As of June 30, 2014 and 2013 and for the six-month periods ended June 30, 2014 and 2013, InRetail Peru Corp. is organized into three 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 six-month periods ended June 30, 2014 and 2013

|  | Supermarkets<br>S/.(000) | Pharmacies<br>S/.(000) | Shopping<br>center<br>S/.(000) | Total segments<br>S/.(000) | Holding accounts,<br>consolidation<br>adjustments and<br>intercompany<br>eliminations<br>S/.(000) | Consolidated<br>S/.(000) |
|--|--------------------------|------------------------|--------------------------------|----------------------------|---|--------------------------|
| <b>For the six-month periods ended June 30, 2014</b> |                          |                        |                                |                            |   |                          |
| <b>Revenue</b>                                       |                          |                        |                                |                            |   |                          |
| External income                                      | 1,743,897                | 995,280                | 125,392                        | 2,864,569                  | -   | 2,864,569                |
| Inter-segment  | 5,545                    | -                      | 19,814                         | 25,359                     | (25,359)  | -                        |
| <b>Total revenue</b>                                 | <b>1,749,442</b>         | <b>995,280</b>         | <b>145,206</b>                 | <b>2,889,928</b>           | <b>(25,359)</b>   | <b>2,864,569</b>         |
| Cost of sales  | (1,301,848)              | (682,038)              | (52,835)                       | (2,036,721)                | 2,968   | (2,033,753)              |
| <b>Gross profit</b>                                  | <b>447,594</b>           | <b>313,242</b>         | <b>92,371</b>                  | <b>853,207</b>             | <b>(22,391)</b>   | <b>830,816</b>           |
| Other operating income                               | 22,789                   | 596                    | 24,264                         | 47,649                     | (14,067)  | 33,582                   |
| Selling expenses                                     | (363,336)                | (215,454)              | (3,390)                        | (582,180)                  | 19,056  | (563,124)                |
| Administrative expenses                              | (42,733)                 | (25,983)               | (10,875)                       | (79,591)                   | (925)   | (80,516)                 |
| Other operating expenses                             | (12,398)                 | (5)                    | -                              | (12,403)                   | 10,941  | (1,462)                  |
| <b>Operating profit</b>                              | <b>51,916</b>            | <b>72,396</b>          | <b>102,370</b>                 | <b>226,682</b>             | <b>(7,386)</b>  | <b>219,296</b>           |
| Net, Exchange difference                             | 363                      | (30)                   | 616                            | 949                        | 86  | 1,035                    |
| Finance income                                       | 2,500                    | 187                    | 6,361                          | 9,048                      | 194   | 9,242                    |
| Finance costs  | (37,648)                 | (2,028)                | (32,728)                       | (72,404)                   | (16,092)  | (88,496)                 |
| <b>Profit before income tax</b>                      | <b>17,131</b>            | <b>70,525</b>          | <b>76,619</b>                  | <b>164,275</b>             | <b>(23,198)</b>   | <b>141,077</b>           |
| Income tax expense                                   | (6,159)                  | (22,495)               | (21,137)                       | (49,791)                   | (1,082)   | (50,873)                 |
| <b>Profit for the year</b>                           | <b>10,972</b>            | <b>48,030</b>          | <b>55,482</b>                  | <b>114,484</b>             | <b>(24,280)</b>   | <b>90,204</b>            |
| <b>Attributable to:</b>                              |                          |                        |                                |                            |   |                          |
| Owners of the parent                                 | 10,972                   | 48,030                 | 55,141                         | 114,143                    | (24,282)  | 89,861                   |
| Non-controlling interests                            | -                        | -                      | 341                            | 341                        | 2   | 343                      |
|  | <b>10,972</b>            | <b>48,030</b>          | <b>55,482</b>                  | <b>114,484</b>             | <b>(24,280)</b>   | <b>90,204</b>            |

Notes to the interim consolidated financial statements (continued)

|  | Supermarkets<br>S/.(000) | Pharmacies<br>S/.(000) | Shopping<br>center<br>S/.(000) | Total segments<br>S/.(000) | Holding accounts,<br>consolidation<br>adjustments and<br>intercompany<br>eliminations<br>S/.(000) | Consolidated<br>S/.(000) |
|--|--------------------------|------------------------|--------------------------------|----------------------------|---|--------------------------|
| <b>For the six-month periods ended June 30, 2013</b> |                          |                        |                                |                            |   |                          |
| <b>Revenue</b>                                       |                          |                        |                                |                            |   |                          |
| External income                                      | 1,556,536                | 853,568                | 80,877                         | 2,490,981                  | -   | 2,490,981                |
| Inter-segment  | 5,242                    | -                      | 15,773                         | 21,015                     | (21,015)  | -                        |
| <b>Total revenue</b>                                 | <b>1,561,778</b>         | <b>853,568</b>         | <b>96,650</b>                  | <b>2,511,996</b>           | <b>(21,015)</b>   | <b>2,490,981</b>         |
| Cost of sales  | (1,169,789)              | (596,965)              | (34,715)                       | (1,801,469)                | 4,931   | (1,796,538)              |
| <b>Gross profit</b>                                  | <b>391,989</b>           | <b>256,603</b>         | <b>61,935</b>                  | <b>710,527</b>             | <b>(16,084)</b>   | <b>694,443</b>           |
| Other operating income                               | 30,000                   | 330                    | 3,397                          | 33,727                     | 391   | 34,118                   |
| Selling expenses                                     | (328,695)                | (171,873)              | (2,301)                        | (502,869)                  | 11,138  | (491,731)                |
| Administrative expenses                              | (44,630)                 | (23,493)               | (10,614)                       | (78,737)                   | 639   | (78,098)                 |
| Other operating expenses                             | (499)                    | (129)                  | (13)                           | (641)                      | -   | (641)                    |
| <b>Operating profit</b>                              | <b>48,165</b>            | <b>61,438</b>          | <b>52,404</b>                  | <b>162,007</b>             | <b>(3,916)</b>  | <b>158,091</b>           |
| Net, exchange difference                             | (38,096)                 | (746)                  | (48,383)                       | (87,225)                   | (30,266)  | (117,491)                |
| Finance income                                       | 3,380                    | 1,202                  | 7,911                          | 12,493                     | 520   | 13,013                   |
| Finance costs  | (33,296)                 | (1,390)                | (35,964)                       | (70,650)                   | (15,432)  | (86,082)                 |
| <b>Profit before income tax</b>                      | <b>(19,847)</b>          | <b>60,504</b>          | <b>(24,032)</b>                | <b>16,625</b>              | <b>(49,094)</b>   | <b>(32,469)</b>          |
| Income tax expense                                   | 6,536                    | (18,665)               | 5,329                          | (6,800)                    | (337)   | (7,137)                  |
| <b>Profit for the year</b>                           | <b>(13,311)</b>          | <b>41,839</b>          | <b>(18,703)</b>                | <b>9,825</b>               | <b>(49,431)</b>   | <b>(39,606)</b>          |
| <b>Attributable to:</b>                              |                          |                        |                                |                            |   |                          |
| Owners of the parent                                 | (13,311)                 | 41,839                 | (18,703)                       | 9,825                      | (49,428)  | (39,603)                 |
| Non-controlling interests                            | -                        | -                      | -                              | -                          | (3)   | (3)                      |
|  | <b>(13,311)</b>          | <b>41,839</b>          | <b>(18,703)</b>                | <b>9,825</b>               | <b>(49,431)</b>   | <b>(39,606)</b>          |

## Notes to the interim consolidated financial statements

Income and expenses of the Company are not allocated to individual segments as the underlying instruments are managed on a 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 June 30, 2014 and December 31, 2013, the operations of all the Subsidiaries of the Company are concentrated in Peru, therefore, there are no revenues from external customers, or assets located in a foreign country as of those dates.

### **22. 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 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) Available-for-sale investment –  
Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available. Fair value of unquoted available-for-sale financial assets is estimated using a discounted cash flow technique.

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

### Fair value hierarchy –

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

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

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

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

The InRetail Group does not maintain any financial instrument with fair value determination under level 3 and there were no transfers between levels during the years ended December 31, 2013 and 2012. The InRetail Group maintains the following financial instruments at fair value:

- Available-for-sale investments which fair value was determined under level 1 hierarchy.
- Derivative instrument which fair value was determined under level 2 hierarchy.

### 23. 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 June 30, 2014, the weighted average exchange rates in the market for transactions in US Dollars were S/.2.795 per US\$ 1.00 bid and S/. 2.796 per US\$ 1.00 ask (S/.2.794 and S/.2.796 per US\$1.00 for bid and ask as of December 31, 2013).

As of June 30, 2014 and December 31, 2013, The InRetail Group held the following foreign currency assets and liabilities:

|  | <b>As of June 30, 2014</b> | <b>As of December 31,</b> |
|--|----------------------------|---------------------------|
|  | US\$(000)                  | <b>2013</b>               |
|  |                            | US\$(000)                 |
| <b>Assets</b>                                    |                            |                           |
| Cash and short-term deposits                     | 15,346                     | 2,041                     |
| Available-for-sale investment                    | 6,347                      | 6,141                     |
| Trade receivables, net                           | 1,160                      | 614                       |
| Other receivables, net                           | 2,794                      | 3,239                     |
| Accounts receivable from related parties         | 6,019                      | 6,255                     |
|  | <u>31,666</u>              | <u>18,290</u>             |
| <b>Liability</b>                                 |                            |                           |
| Trade payables                                   | (20,007)                   | (17,603)                  |
| Other payables                                   | (14,490)                   | (11,648)                  |
| Accounts payable to related parties              | (4,405)                    | (4,851)                   |
| Interest - bearing loans and borrowings          | (468,619)                  | (485,720)                 |
|  | <u>(507,522)</u>           | <u>(519,822)</u>          |
| <b>Currency swap transactions-Short position</b> | 7,005                      | 7,005                     |
| <b>Net liability position</b>                    | <u>(468,851)</u>           | <u>(494,527)</u>          |

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

As of June 30, 2014 and December 31, 2013, the InRetail Group has decided to accept its exchange rate risk and so it has not performed, at these dates, any hedging of exchange rate risk with the exception of a hedging operation help by Supermercados Peruanos S.A. which relates to a currency swap written over its subordinated bonds ("Bonos Subordinados-Segunda Emision"), which has qualified as an effective hedging instrument. The net position in derivatives related to the currency swap agreements corresponds to exchange operations (Nuevos soles exchanged for US\$ dollars) with notional amounts of approximately US\$7,005,000.

### **24. Subsequent Event**

In July 2014, the Patrimonio en Fideicomiso D.S.N°093-2002-EF-InRetail Shopping Mall issued through InRetail Shopping Malls Trust, a private offering of \$ 350,000,000 of senior unsecured notes, maturing in July 2021, at a nominal rate of 6.50 percent, being the effective rate 6.625 percent after considering the initial discount. This offer private and positioned in the international market is guaranteed by InRetail Estate Corp and InRetail Shopping mall's subsidiaries.

In July 2014, the Patrimonio en Fideicomiso D.S.N°093-2002-EF-InRetail Shopping Mall issued through InRetail Shopping Malls Trust, a private offering of S/.141, 000,000 of senior unsecured notes, maturing in July 2034, at a nominal rate of 7.875 percent. This offer private and positioned in the international market is guarantee by InRetail Estate Corp and InRetail Shopping Mall's subsidiaries.

The proceeds of such financing will be used for the purchase of property, investments in new building projects, debt restructuring, and payment of fees and expenses related to such issuance.

### **25. Additional explanation for English translation**

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