

**Patrimonio en Fideicomiso D.S. N°093-2002-EF-InRetail  
Consumer and Supermercados Peruanos S.A. and Subsidiaries  
and Eckerd Perú S.A. and Subsidiaries**

Interim combined financial statements as of September 30, 2017  
(unaudited) and December 31, 2016 (audited) and for the nine-month  
periods ended September 30, 2017 and 2016

**Patrimonio en Fideicomiso N°093-2002-EF-InRetail Consumer and Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries**

**Interim combined statements of financial position**

As of September 30, 2017 and December 31, 2016

	Note	2017	2016		Note	2017	2016
		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	159,113	192,091	Trade payables	13	1,491,233	1,565,202
Investment at fair value through profit or loss		43,290	68,299	Other payables		232,990	184,424
Trade receivables, net	5	57,099	65,999	Accounts payable to related parties	20(b)	39,850	31,410
Other receivables, net		55,525	50,056	Interest-bearing loans and borrowings	14	322,853	144,222
Accounts receivables from related parties	20(b)	16,901	19,823	Current income tax, net	15(b)	854	8,709
Inventories, net	6	1,064,211	978,829	Deferred revenue		2,615	3,737
Available-for-sale investment	7	8,491	49,908	<b>Total current liabilities</b>		<b>2,090,395</b>	<b>1,937,704</b>
Prepayments	8	28,051	17,844				
<b>Total current assets</b>		<b>1,432,681</b>	<b>1,442,849</b>	<b>Non Current liabilities</b>			
<b>Non-current assets</b>				Accounts payable to related parties	20(b)	63,715	48,867
Other receivables, net		15,922	15,245	Interest-bearing loans and borrowings	14	1,251,987	1,257,860
Prepayments	8	27,538	28,209	Deferred revenue		23,144	24,734
Derivative financial instruments	9	23,721	31,736	Deferred income tax liabilities, net	15(a)	188,674	177,380
Property, furniture and equipment, net	10	2,290,858	2,140,443	<b>Total non-current liabilities</b>		<b>1,527,520</b>	<b>1,508,841</b>
Investment properties	11	169,583	99,684	<b>Total liabilities</b>		<b>3,617,915</b>	<b>3,446,545</b>
Intangible assets, net	12	1,190,508	1,189,935	<b>Equity</b>			
Deferred income tax assets, net	15(a)	15,065	12,193	Capital stock	16	369,607	369,607
<b>Total non-current assets</b>		<b>3,733,195</b>	<b>3,517,445</b>	Capital premium		181,573	181,603
				Treasury shares		(9)	-
				Additional paid in capital		706,427	706,427
				Unrealized results on financial instruments		(1,493)	(9,804)
				Unrealized results on available-for-sale-investment		541	9,669
				Other equity reserves		27,481	20,405
				Retained earnings		263,834	235,842
				<b>Total equity</b>		<b>1,547,961</b>	<b>1,513,749</b>
<b>Total assets</b>		<b>5,165,876</b>	<b>4,960,294</b>	<b>Total liabilities and equity</b>		<b>5,165,876</b>	<b>4,960,294</b>

The accompanying notes are an integral part of these combined financial statements.

**Patrimonio en Fideicomiso D.S. N°093-2002-EF- InRetail Consumer and Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries**

**Interim combined income statements**

For the nine-month periods ended September 30, 2017 and 2016

	Note	2017 S/(000)	2016 S/(000)
Net sales of goods		5,288,909	4,939,969
Rental income		41,631	32,879
Rendering of services		41,830	27,729
<b>Revenue</b>		<b>5,372,370</b>	<b>5,000,577</b>
Cost of sales	18	(3,839,084)	(3,574,999)
<b>Gross profit</b>		<b>1,533,286</b>	<b>1,425,578</b>
Selling expenses	18	(1,161,618)	(1,075,853)
Administrative expenses	18	(138,321)	(128,917)
Income from joint venture	20	18,061	13,246
Other operating income		1,431	21,003
Other operating expenses		(10,028)	(15,881)
<b>Operating profit</b>		<b>242,811</b>	<b>239,176</b>
Finance income	19	9,914	3,324
Finance costs	19	(76,709)	(80,072)
Exchange difference, net		7,825	3,364
<b>Profit before income tax</b>		<b>183,841</b>	<b>165,792</b>
Income tax expense	15	(76,135)	(67,523)
<b>Net profit</b>		<b>107,706</b>	<b>98,269</b>

The accompanying notes are an integral part of these combined financial statements.

**Patrimonio en Fideicomiso D.S. N°093-2002-EF- InRetail Consumer and Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries**

**Interim combined statements of comprehensive income**

For the nine-month periods ended September 30, 2017 and 2016

	<b>2017</b>	<b>2016</b>
	S/(000)	S/(000)
<b>Net profit</b>	107,706	98,269
<b>Other comprehensive income</b>		
Unrealized gain on available-for-sale investments	273	7,925
Transfer of realized gain on available-for-sale investments to profit or loss for the period	(9,401)	-
Income tax effect	-	(483)
<b>Total other comprehensive income of available for sale investment</b>	<b>(9,128)</b>	<b>7,442</b>
Profit on hedging derivative financial instrument	-	-
Gain in derivative financial instrument	8,311	(2,137)
<b>Total other comprehensive income derivative financial instruments</b>	<b>8,311</b>	<b>(2,137)</b>
<b>Other comprehensive income for the period, net of income tax effects</b>	<b>(817)</b>	<b>5,305</b>
<b>Total comprehensive income for the period</b>	<b>106,889</b>	<b>103,574</b>

The accompanying notes are an integral part of these combined financial statements.

**Patrimonio en Fideicomiso D.S. N°093-2002-EF-InRetail Consumer and Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries**

**Interim combined statements of changes in equity**

For the nine-month periods ended September 30, 2017 and 2016

	<u>Capital stock</u> S/(000)	<u>Additional paid in capital</u> S/(000)	<u>Treasury shares</u> S/(000)	<u>Capital premium</u> S/(000)	<u>Unrealized results on financial instruments</u> S/(000)	<u>Unrealized results on available for sale investments</u> S/(000)	<u>Legal reserve</u> S/(000)	<u>Retained earnings</u> S/(000)	<u>Total</u> S/(000)
<b>Balance as of January 1, 2016</b>	369,607	706,427	-	181,603	(13,582)	768	17,689	91,120	1,353,632
Profit for the period	-	-	-	-	-	-	-	98,269	98,269
Other comprehensive income	-	-	-	-	(2,137)	7,442	-	-	5,305
<b>Total comprehensive income</b>	-	-	-	-	<b>(2,137)</b>	<b>7,442</b>	-	<b>98,269</b>	<b>103,574</b>
Advance performance	-	-	-	-	-	-	-	(5,118)	(5,118)
Transfer to legal reserve	-	-	-	-	-	-	2,716	(2,716)	-
<b>Balance as of September 30, 2016</b>	<b>369,607</b>	<b>706,427</b>	-	<b>181,603</b>	<b>(15,719)</b>	<b>8,210</b>	<b>20,405</b>	<b>181,555</b>	<b>1,452,088</b>
<b>Balance as of January 1, 2017</b>	369,607	706,427	-	181,603	(9,804)	9,669	20,405	235,842	1,513,749
Profit for the period	-	-	-	-	-	-	-	107,706	107,706
Other comprehensive income	-	-	-	-	8,311	(9,128)	-	-	(817)
	-	-	-	-	8,311	(9,128)	-	107,706	106,889
Advance performance	-	-	-	-	-	-	-	(72,638)	(72,638)
Transfer to legal reserve	-	-	-	-	-	-	7,076	(7,076)	-
Treasury shares	-	-	(9)	(30)	-	-	-	-	(39)
<b>Balance as of September 30, 2017</b>	<b>369,607</b>	<b>706,427</b>	<b>(9)</b>	<b>181,573</b>	<b>(1,493)</b>	<b>541</b>	<b>27,481</b>	<b>263,834</b>	<b>1,547,961</b>

The accompanying notes are an integral part of these combined financial statements.

**Patrimonio en Fideicomiso D.S. N°093-2002-EF-InRetail Consumer and Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries**

**Interim combined statements of cash flows**

For the nine-month periods ended September 30, 2017 and 2016

	<b>2017</b>	<b>2016</b>
	S/(000)	S/(000)
<b>Operating activities</b>		
Revenue	5,427,205	5,075,684
Payments to suppliers of goods and services	(4,635,989)	(4,286,212)
Payments to employees for salaries and social benefits	(489,453)	(475,142)
Taxes paid	(110,945)	(69,105)
Other payments (collections), net	(6,855)	1,072
<b>Net cash flows from operating activities</b>	<b>183,963</b>	<b>246,297</b>
<b>Investing activities</b>		
Collection of loans to related parties	40,770	30,000
Sales of property, furniture and equipment	-	14,999
Sales of investment at fair value through profit or loss	200,568	-
Sales of investments of available for sale investment	41,476	-
Loans granted to related parties	(40,770)	(30,000)
Purchase of investment at fair value through profit or loss	(176,219)	-
Purchase of available for sale investment	-	(26,474)
Purchase of property, furniture and equipment, net of acquisitions through leasing	(199,748)	(190,757)
Purchase and development of intangible assets	(12,220)	(16,163)
Purchase of investment properties, net of acquisitions through leasing	(31,552)	-
<b>Net cash flows used in investing activities</b>	<b>(177,695)</b>	<b>(218,395)</b>
<b>Financing activities</b>		
Proceeds from interest-bearing loans and borrowings	393,831	174,766
Payment of interest-bearing loans and borrowings	(311,090)	(109,136)
Interest payment	(49,310)	(51,635)
Purchase of treasury shares	(39)	-
Advance performance	(72,638)	(5,118)
<b>Net cash flows used in financing activities</b>	<b>(39,246)</b>	<b>8,877</b>
Net decrease of cash and short-term deposits	(32,978)	36,779
<b>Cash and short-term deposits at the beginning of the period</b>	<b>192,091</b>	<b>188,235</b>
<b>Cash and short-term deposits at the end of the period</b>	<b>159,113</b>	<b>225,014</b>
<b>Non-cash transactions</b>		
Fixed assets purchased through leasing and others financial obligation	108,709	23,566

The accompanying notes are an integral part of these combined financial statements.

## Notes to the combined financial statements

### Patrimonio en Fideicomiso D.S. N°093-2002-EF-InRetail Consumer and Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries

#### Notes to the interim combined financial statements

As of September 30, 2017 (unaudited) and December 31, 2016 (audited)

#### 1. Identification and business activities and reorganization and issuance process

##### (a) Identification.-

Patrimonio en Fideicomiso D.S. N°093-2002-EF-InRetail Consumer (a Special Purpose Entity-SPE, hereinafter "InRetail Consumer"), was incorporated in August 2014 by InRetail Perú Corp. only for the purpose of issuing debt in the local market and abroad. As of September 30, 2017 and December 31, 2016, the representative shares of capital stock of Supermercados Peruanos S.A. and Subsidiaries and Eckerd Peru S.A. and Subsidiaries are maintained in trust in this entity.

Supermercados Peruanos S.A. and Eckerd Perú S.A. were incorporated in June 1979 and August 1996, respectively, in Lima, Peru. As of September 30, 2017 and December 31, 2016, those companies are subsidiaries of InRetail Perú Corp., which is part of Intercorp Perú Corp., InRetail Perú Corp. owns directly and indirectly the following percentages of ownership in these companies:

- 99.98% of Supermercados Peruanos S.A.
- 100% of Eckerd Perú S.A.

##### (b) Business activities –

The following is a description of the Companies activities:

- Supermercados Peruanos S.A. is dedicated to retail. As of September 30, 2017 and December 31, 2016, has a chain of stores operating under "Plaza Veá", "Plaza Veá Super", "Vivanda" and "Mass" brands, which are located in Lima and provinces, such as Trujillo, Chimbote, Piura, Cusco, Arequipa Huancayo, among others. Supermercados Peruanos S.A. holds 100 percent of: (i) Desarrolladora de Strip Centers S.A.C. (former Peruana de Tiquetes S.A.C.), and (ii) Plaza Veá Sur S.A.C.
- Eckerd Perú S.A. is dedicated to the commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements related to health protection and recovery through its "Inkafarma" pharmacy chain. As of September 30, 2017 and December 31, 2016 it mainly operates in Lima and provinces, such as Lambayeque, La Libertad, Piura, Arequipa, Loreto, San Martín, Ucayali, Madre de Dios, among others. Eckerd Perú S.A. holds 100 percent of: (i) Eckerd Amazonía S.A.C. and (ii) Boticas del Oriente S.A.C.

## Notes to the combined financial statements

The following is a summary of the main data of the financial statements of Supermercados Peruanos S.A. and Subsidiaries and Eckerd Perú S.A. and Subsidiaries as of September 30, 2017 and December 31, 2016, and for the nine-month periods ended September 30, 2017 and 2016:

	<u>Supermercados Peruanos S.A. and Subsidiaries</u>		<u>Eckerd Perú S.A and Subsidiaries</u>	
	<u>As of September 30, 2017</u>	<u>As of December 31, 2016</u>	<u>As of September 30, 2017</u>	<u>As of December 31, 2016</u>
	S/(000)	S/(000)	S/(000)	S/(000)
<b>Consolidated statements of financial position</b>				
Total assets	3,185,312	2,910,219	811,748	897,434
Total liabilities	2,141,255	1,911,278	684,361	736,674
Equity	1,044,057	998,941	127,387	160,760
	<b>Balance as of September 30, 2017</b>	<b>Balance as of September 30, 2016</b>	<b>Balance as of September 30, 2017</b>	<b>Balance as of September 30, 2016</b>
	S/(000)	S/(000)	S/(000)	S/(000)
<b>Consolidated income statements</b>				
Operating profit	109,185	90,026	135,475	150,909
Net profit	45,116	31,578	93,827	105,893

The combined financial statements as of September 30, 2017 were approved by management of InRetail Perú Corp. on Noviembre 14, 2017

## 2. Summary of significant accounting policies

The significant accounting policies used in the preparation and presentation of the Companies combined financial statements are described below:

### (a) Basis of preparation and presentation –

The interim condensed combined financial statements of the Companies have been prepared and presented solely to comply with certain obligations as a result of the issuance made by InRetail Consumer. Likewise, the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) effective as of September 30, 2017 and December 31, 2016.

The interim condensed combined financial statements have been prepared on a historical cost basis, except for derivative financial instruments, available-for-sale investments and other financial assets that have been measured at fair value. The interim condensed combined financial statements and other financial assets are presented in Soles and all values are rounded to the nearest thousand (S/(000)), except when otherwise indicated.

The interim condensed combined financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Companies annual combined financial statements as of December 31, 2016.



## Notes to the combined financial statements

### (b) Basis of combination –

The interim condensed combined financial statements comprise the consolidated financial statements of the Companies and their Subsidiaries, which have been prepared under IFRS; see Note 1. For purposes of these consolidated financial statements, subsidiaries are fully consolidated from the date of acquisition; being the date on which Supermercados Peruanos S.A. or Eckerd Perú S.A. obtained 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 combined financial statements result from the addition of the balances of all the accounts of the Companies consolidated financial statements; however, there is not any relationship as a parent and subsidiaries. The significant transaction among the Companies balances and profit and losses have been eliminated. The combined financial statements are prepared using uniform accounting policies for similar transactions and events, which are described in the following notes to the combined financial statements.

Additionally, the combined financial statements include some assets, liabilities and results as a consequence of transactions made by InRetail Perú Corp. that are directly related to the Companies. The main combined adjustments and intercompany eliminations are explained below:

- (i) Intercompany eliminations of balances and transactions, that mainly correspond to commercial transactions between the Companies (rental and/or rights of use of property, sale of merchandise vouchers, key money, etc.)
- (ii) The “Inkafarma” commercial brand and goodwill recorded in the consolidated financial statement of InRetail Perú Corp. and Subsidiaries as a consequence of the acquisition of Eckerd Perú S.A. and Subsidiaries in January 2011 for approximately S/373,054,000 and S/709,472,000, respectively; see Note 12(b). Likewise, the deferred tax liability related to this commercial brand amounts to approximately S/111,916,000.

### (c) New standards, interpretations and amendments –

The accounting policies adopted in the preparation of the interim condensed combined financial statements are consistent with those followed in the preparation of the Companies annual combined financial statements for the year ended December 31, 2016, except for the adoption of the new standards and interpretations as of January 1, 2017.

#### **Standard adopted early**

The Company uses derivative instruments to manage its variation in exchange rates. In order to manage these risks, the Company applies hedge accounting for transactions which meet specific criteria for this. At the beginning of the hedging relationship, the Company formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedge.

## Notes to the combined financial statements

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

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

### **Standards not adopted early**

The Companies decided not to early adopt the following standards and interpretations that have been issued by the IASB, but which are not effective as of January 01, 2017:

- IFRS 15 "Revenue from Contracts with Customers"  
IFRS 15 was issued in May 2014 and established a five-step model that will apply to income arising from contracts with customers. Under IFRS 15, income is recognized for an amount that reflects the contractual consideration agreed with the customer. The principles in IFRS 15 provide a more structured approach to measure and recognize revenues.

The new standard on revenues is applicable to all entities and replaces all revenue recognition requirements under IFRS. Complete or modified retrospective application for annual periods beginning on 1 January 2017 is required and early adoption is permitted. The Companies are currently assessing the impact of IFRS 15 and plans to adopt it when is effective.

- IFRS 16 "Leases"  
IFRS 16 deals with the identification of leases, as well as its accounting treatment for tenants and landlords. Under this IFRS operating leases entered into the statement of financial position, recognizing all leases on the balance sheet as an asset more and more passive, as if they were financed purchases.

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

As of the date of this report, the Companies are assessing the possible impact of the application of these standards on its consolidated financial statements.

## Notes to the combined financial statements

### 3. Transactions in foreign currency

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by the Superintendence of Banks, Insurance and Pension Funds Administration. As of September 30, 2017, the exchange rates in the market for transactions in US Dollars were S/3.263 per US\$1 bid and S/3.267 per US\$1 ask (S/3.352 and S/3.360 per US\$1 bid and ask as of December 31, 2016).

As of September 30, 2017 and December 31, 2016, the companies held the following foreign currency assets and liabilities:

	<b>As of September 30, 2017</b>	<b>As of December 31, 2016</b>
	US\$(000)	US\$(000)
<b>Assets</b>		
Cash and short-term deposits	13,991	2,771
Available-for-sale investment	2,599	14,853
Investment at fair value through profit or loss	-	3,503
Trade receivables, net	-	174
Other receivables, net	4,073	4,028
Accounts receivable from related parties	1,051	804
<b>Total assets</b>	<b>21,714</b>	<b>26,133</b>
<b>Liability</b>		
Trade payables	(16,616)	(15,539)
Other payables	(10,393)	(17,437)
Accounts payable to related parties	(3,153)	(2,441)
Interest - bearing loans and borrowings	(219,288)	(220,998)
<b>Total liabilities</b>	<b>(249,450)</b>	<b>(256,415)</b>
Call Spread	130,000	130,000
<b>Net liability position</b>	<b>(97,736)</b>	<b>(100,282)</b>

As of September 30, 2017 and December 31, 2016, InRetail Consumer and its Subsidiaries, decided to reduce its exchange rate risk by entering into hedging operations through two Call Spreads written over its "Senior Notes Unsecured", which are considered effective hedging instruments. The Call Spreads are written over a nominal amount of US\$130,000,000 and will be effective until maturity of the "Senior Notes Unsecured". The net position in the derivatives related to the currency Call Spread agreement corresponds to an exchange operation (Soles exchanged for US Dollars) with notional amount of approximately US\$130,000,000. See Note 9.

## Notes to the combined financial statements

### 4. Cash and short-term deposits

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

	<b>As of September 30, 2017</b>	<b>As of December 31, 2016</b>
	S/(000)	S/(000)
Cash	31,737	20,240
Current accounts (b)	55,600	80,571
Time deposits (c)	61,078	79,316
Other	10,698	11,964
	<hr/>	<hr/>
<b>Total</b>	<b>159,113</b>	<b>192,091</b>
	<hr/>	<hr/>

(b) The Companies maintain current accounts in local banks in Soles and US Dollars that do not accrue interest and are freely available.

(c) As of September 30, 2017, time deposits are freely available and are kept in Soles and US Dollars, in local banks, have maturities up to a month since inception and bear annual interest between 2.80 and 4.35 percent annual in Soles and between 0.70 and 0.80 percent annual in US Dollars (between 4.15 and 4.70 percent annual in Soles and between 0.20 and 0.30 percent annual as of December 31, 2016).

### 5. Trade receivables, net

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

	<b>As of September 30, 2017</b>	<b>As of December 31, 2016</b>
	S/(000)	S/(000)
Trade accounts receivable (c)	21,606	28,467
Credit card operations (d)	25,514	35,563
Rent receivable (e)	3,984	2,058
Others	15,358	7,614
	<hr/>	<hr/>
<b>Total</b>	<b>66,462</b>	<b>73,702</b>
Provision for doubtful accounts (f)	(9,363)	(7,703)
	<hr/>	<hr/>
<b>Total</b>	<b>57,099</b>	<b>65,999</b>
	<hr/>	<hr/>

(b) Trade receivables are denominated in Soles and US Dollars, have current maturities and do not bear interest.

(c) Corresponds mainly to trade receivables from sale of inventories and from the sale of merchandise vouchers to various companies and public institutions. At the date of this report, these balances are mostly collected.

(d) Correspond mainly to 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 and Eckerd.

## Notes to the combined financial statements

- (e) Corresponds to accounts receivable for the lease of commercial premises to concession holders inside the stores of Supermercados Peruanos S.A.
- (f) The movements in the provision for doubtful accounts receivable for the nine-month periods ended September 30, 2017 and 2016, were as follows:

	2017 S/(000)	2016 S/(000)
<b>Balance at the beginning of the year</b>	7,703	5,490
Provision recognized as year expense, Note 18 (a)	1,660	900
Write offs and recoveries	-	(24)
<b>Balance at the end of the period</b>	<u>9,363</u>	<u>6,366</u>
<b>Balance as of December 31, 2016</b>		<u>7,703</u>

As of September 30, 2017 and December 31, 2016, the amount of trade receivables past due but not impaired amounted to approximately S/30,824,000 and S/30,826,000, respectively.

The overdue items which have a payment agreement by the customer, are not considered impaired.

In the opinion of Management, the provision for doubtful accounts receivable as of September 30, 2017 and December 31, 2016 appropriately covers the credit risk of this item at those dates.

### 6. Inventories, net

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

	As of September 30, 2017 S/(000)	As of December 31, 2016 S/(000)
Goods, Note 18(a)	1,002,255	962,870
In transit inventories (b)	62,319	12,258
Miscellaneous supplies	8,901	12,661
<b>Total</b>	<u>1,073,475</u>	<u>987,789</u>
<b>Minus</b>		
Provision for impairment of inventories (c)	(9,264)	(8,960)
<b>Total</b>	<u>1,064,211</u>	<u>978,829</u>

- (b) Correspond to goods and miscellaneous supplies imported by the Companies.

## Notes to the combined financial statements

- (c) The changes in the provision for inventory impairment for the nine-month periods ended as of September 30, 2017 and 2016 were as follows:

	2017 S/(000)	2016 S/(000)
Balance at the beginning of the year	8,960	9,597
Provision of the period, Note 18(a)	8,225	7,062
Write-off/recovery	(7,921)	(8,112)
<b>Balance at the end of the period</b>	<b>9,264</b>	<b>8,547</b>
<b>Balance as of December 31, 2016</b>		<b>8,960</b>

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

### 7. Available-for-sale investment

As of September 30, 2017 and December 31, 2016, available for sale investments correspond to notes issued by a related company of Intercorp Group of approximately US\$2,599,000 equivalent to S/8,491,000 (US\$2,513,000 equivalent to S/8,445,000 as of December 31, 2016).

Additionally, as of December 31, 2016, the Company has other investments available for sale for an amount US\$12,340,000 equivalent to S/.41,463,000.

### 8. Prepayments

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

	As of September 30, 2017 S/(000)	As of December 31, 2016 S/(000)
Prepaid rent	21,710	24,813
Key money	14,652	13,239
Insurance	5,035	2,492
Prepaid tax	3,286	-
Others	10,906	5,509
<b>Total</b>	<b>55,589</b>	<b>46,053</b>
Current	28,051	17,844
Non current	27,538	28,209
<b>Total</b>	<b>55,589</b>	<b>46,053</b>

## Notes to the combined financial statements

### 9. Derivative financial instruments

As of September 30, 2017 and December 31, 2016, this item comprises of two principal Call Spread contracts designated to hedge cash flows from exchange rate variations and recorded at its fair value. The details of these operations are as follows:

Counterparty	Nominal value US\$(000)	Due	Pay fix at %	Book value of the hedged item S/(000)	Fair value 2017 S/(000)	Fair value 2016 S/(000)
Deutsche Bank A.G.	100,000	October 2021	1.56	326,700	18,744	25,404
Bank of Tokyo	30,000	October 2021	1.20	98,010	4,977	6,332
<b>Total</b>					<b>23,721</b>	<b>31,736</b>

These financial instruments cover 43 percent of the exposure to foreign currency risk arising from international bond issue of October 2014, see note 14 (c). These Call Spreads cover variations in the exchange rate from S/3.220 to S/3.750 and from S/3.379 to S/3.750, respectively, per US\$1.00 and the price of the premiums were funded in installments, generating liabilities. See Note 14.

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

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

	As of September 30, 2017 S/(000)	As of December 31, 2016 S/(000)
<b>Cost</b>		
<b>Initial balance</b>	2,984,015	2,747,642
Additions (b)	308,457	286,573
Disposals and/or sales (c)	(30,857)	(50,200)
Transfer to investment properties, Note 11 (a)	(39,408)	-
<b>Final balance</b>	<b>3,222,207</b>	<b>2,984,015</b>
<b>Accumulated depreciation</b>		
<b>Initial balance</b>	843,572	733,589
Additions, Note 18 (a)	111,768	143,475
Disposals and/or sales	(22,930)	(33,492)
Transfer to investment properties, Note 11 (a)	(1,061)	-
<b>Final balance</b>	<b>931,349</b>	<b>843,572</b>
<b>Net book value</b>	<b>2,290,858</b>	<b>2,140,443</b>

(b) Correspond mainly to the construction and equipment for the new premises of Supermercados Peruanos S.A. and the Eckerd Group.

(c) Correspond mainly to assets sold and to the disposal of unusable assets as a result of the process of changing formats in some premises. The resulting income or expense has been included in the "Other operating income" or "Other operating expenses" caption of the combined income statement, respectively.

## Notes to the combined financial statements

- (d) As of September 30, 2017, the cost and corresponding accumulated depreciation of assets acquired through finance leases was approximately S/672,764,000 and S/217,065,000 respectively (S/569,556,000 and S/175,788,000 respectively, as of December 31, 2016).
- (e) The Companies maintain insurance policies on their main assets in accordance with policies established by Management.

### 11. Investment properties

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

	<b>As of September 30, 2017</b>	<b>As of December 31, 2016</b>
	S/. (000)	S/. (000)
<b>Balance at the beginning of the year</b>	99,684	17,224
Additions (b)	31,552	82,460
Fixed assets transfer, Note 10 (a)	38,347	-
<b>Total</b>	<b>169,583</b>	<b>99,684</b>

- (b) As of September 30, 2017, investment properties include seven properties located in Lima, Moquegua, Tacna and Puno (five investment properties as of December 31, 2016) held to earn income.
- (c) As of September 30, 2017 and December 31, 2016, Management of the Companies performed an evaluation of their investment properties, and has not found any indication of impairment.

### 12. Intangible assets, net

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

	<b>As of September 30, 2017</b>	<b>As of December 31, 2016</b>
	S/(000)	S/(000)
<b>Cost</b>		
<b>Initial balance</b>	1,266,632	1,248,027
Additions	12,220	21,299
Disposal and/or sales	(849)	(2,694)
<b>Final balance</b>	<b>1,278,003</b>	<b>1,266,632</b>
<b>Accumulated amortization</b>		
<b>Initial balance</b>	76,697	63,946
Additions, Note 18 (a)	11,236	13,357
Disposals and/or sales	(438)	(606)
<b>Final balance</b>	<b>87,495</b>	<b>76,697</b>
<b>Net, book value</b>	<b>1,190,508</b>	<b>1,189,935</b>

- (b) As of September 30, 2017 and December 31, 2016, this caption mainly includes approximately S/373,054,000 and S/709,472,000 corresponding to the brand "Inkafarma" and goodwill respectively, resulting from applying the purchase method at the moment of the acquisition of



## Notes to the combined financial statements

Eckerd Perú S.A. in 2011. Both assets have been assigned to the cash generating unit “Drugstores”, which is an operating segment reportable for the impairment tests.

Management of the Companies estimated the fair value of the brand by applying the “saving from-royalty” method. The principle behind “saving from-royalty” method is that a brand-holding company owns the brand, avoiding payments of royalties for the use of the brand, to another hypothetical owner, therefore, the economic value of the brand is represented by the avoided royalties.

### 13. Trade payables

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

	<b>As of September 30, 2017</b>	<b>As of December 31, 2016</b>
	S/(000)	S/(000)
Bills payable for purchase of goods	1,330,628	1,354,097
Bills payable for commercial services	160,605	211,105
<b>Total</b>	<b><u>1,491,233</u></b>	<b><u>1,565,202</u></b>

(b) This caption mainly includes obligations to non-related local and foreign suppliers, denominated in local currency and US Dollars, with current maturities and do not bear any interest. There have been no liens granted on these obligations.

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

## Notes to the combined financial statements

### 14. Interest-bearing loans and borrowings

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

Type of obligation	Original currency	Interest rate %	Final maturity	Original amount		Total		Current		Non-current	
				US\$ (000)	S/(000)	2017	2016	2017	2016	2017	2016
						S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
<b>Notes Senior Unsecured (e)</b>											
Notes Senior Unsecured (c)	USD	5.250	2021	300,000	-	561,513	575,535	-	-	561,513	575,535
Notes Senior Unsecured (d)	PEN	6.813	2021	-	250,000	249,406	249,314	-	-	249,406	249,314
				<b>300,000</b>	<b>250,000</b>	<b>810,919</b>	<b>824,849</b>	<b>-</b>	<b>-</b>	<b>810,919</b>	<b>824,849</b>
<b>Leasing (b)</b>											
<b>Related entities</b>											
Banco Internacional del Perú-Interbank	PEN	7.850	2019	-	27,412	11,554	15,627	5,811	5,485	5,743	10,142
Banco Internacional del Perú-Interbank	PEN	Between 6.850 and 8.500	2020	-	234,352	127,062	45,921	14,645	24,865	112,417	21,056
<b>Non-related entities</b>											
Hewlett Packard S.A.	USD	2.360	2021	12,084	-	18,049	20,794	8,182	8,560	9,867	12,234
IBM Perú SAC	USD	2.170	2019	335	-	126	185	72	74	54	111
Banco de Crédito del Perú	PEN	Between 6.590 and 7.850	2022	-	81,335	37,385	49,583	15,831	16,409	21,554	33,174
BBVA Banco Continental	PEN	Between 7.800 and 8.000	2018	-	44,123	3,382	6,807	3,174	4,611	208	2,196
BBVA Banco Continental	PEN	8.070	2017	-	355	16	144	16	144	-	-
Banco Scotiabank	PEN	Between 6.590 and 7.760	2020	-	57,972	24,161	32,574	11,228	11,318	12,933	21,256
				<b>12,419</b>	<b>445,549</b>	<b>221,735</b>	<b>171,635</b>	<b>58,959</b>	<b>71,466</b>	<b>162,776</b>	<b>100,169</b>
<b>Loans (b)</b>											
<b>Related entities</b>											
Banco Internacional del Perú-Interbank	PEN	6.350	2020	-	60,000	37,830	46,234	11,955	11,415	25,875	34,819
<b>Non-related entities</b>											
Banco de Crédito del Perú	PEN	Between 3.170 and 6.350	2020	-	149,293	133,779	31,079	117,073	8,335	16,706	22,744
Banco Scotiabank (f)	PEN	Between 3.400 and 6.950	2022	-	282,000	193,850	182,389	83,143	41,143	110,707	141,246
Bank of Tokyo (g)	USD	Between 2.540 and 2.640	2019	30,000	-	97,523	100,048	-	-	97,523	100,048
BBVA Banco Continental	PEN	Between 3.150 and 3.300	2017	-	20,000	20,000	-	20,000	-	-	-
Banco Citibank	PEN	4.800	2018	-	20,000	20,000	-	20,000	-	-	-
				<b>30,000</b>	<b>571,293</b>	<b>502,982</b>	<b>359,750</b>	<b>252,171</b>	<b>60,893</b>	<b>250,811</b>	<b>298,857</b>
<b>Foreign loans</b>											
Deutsche Bank	USD	1.560	2021	9,366	-	21,776	24,690	4,592	5,091	17,184	19,599
Bank of Tokyo (g)	USD	1.200	2021	1,953	-	5,223	5,945	1,134	1,163	4,089	4,782
				<b>11,319</b>	<b>-</b>	<b>26,999</b>	<b>30,635</b>	<b>5,726</b>	<b>6,254</b>	<b>21,273</b>	<b>24,381</b>
<b>Other obligations to third parties (h)</b>											
Hewlett Packard S.A.	USD	Between 1.450 and 5.640	2021	15,886	-	12,205	15,213	5,997	5,609	6,208	9,604
				<b>15,886</b>	<b>-</b>	<b>12,205</b>	<b>15,213</b>	<b>5,997</b>	<b>5,609</b>	<b>6,208</b>	<b>9,604</b>
<b>Total</b>				<b>369,624</b>	<b>1,266,842</b>	<b>1,574,840</b>	<b>1,402,082</b>	<b>322,853</b>	<b>144,222</b>	<b>1,251,987</b>	<b>1,257,860</b>

## Notes to the combined financial statements

- (b) 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 10. Such obligations do not have any special conditions that must be complied with covenants or restrictions affecting the operations of the Companies.
- (c) On October 2014, the Company issued through InRetail Consumer, an offering in the local market and abroad of "Senior Notes Unsecured" for US\$300,000,000 equivalent to approximately S/980,100,000 as of September 30, 2017 (S/1,008,000,000 approximately as of December 31, 2016), due in 2021 at a 5.25 percent nominal interest rate. This borrowing was recorded in the consolidated financial statements at their amortized cost at a 5.5869 percent effective interest rate, after considering the respective up-front fees for approximately US\$3,600,000, equivalent to a total amount of approximately S/11,761,000 as of September 30, 2017 (US\$4,184,000 equivalent to approximately S/14,058,000 as of December 31, 2016). Additionally, as of September 30, 2017, the balance is presented net of US\$124,526,000 equivalent to a total amount of approximately S/406,826,000 as of September 30, 2017 (US\$124,526,000 equivalent to a total amount of approximately S/418,407,000 as of December 31, 2016) corresponding to notes of these issuance acquired by the Company itself. As of September 30, 2017 and December 31, 2016 the balance of this loan is S/561,513,000 and S/575,535,000, respectively.
- (d) Also, in October 2014 the Company issued through InRetail Consumer, an offering in the local market and abroad of "Senior Notes Unsecured" for S/250,000,000, due in 2021 at an 6.8125 percent nominal interest rate. This borrowing was recorded in the consolidated financial statements at their amortized cost at a 6.8805 percent effective interest rate, after considering the respective up-front fees for approximately S/594,000, as of September 30, 2017 (S/686,000, as of December 31, 2016). As of September 30, 2017 and December 31, 2016 the balance of this loan is S/249,406,000 and S/249,314,000, respectively.
- (e) The funding was mainly used to:
- Purchase of "Senior Secured Notes" issued and placed in 2011 by InterCorp Retail Inc. through InterCorp Retail Trust, acquiring a total of 277,277,000, of such notes, and payment of the premiums for the repurchase of the bonds.

It should be noted that the 277,277,000 "Senior Secured Notes" were offset or settled as follows:

- (i) 130,000,000 were offset with the promissory note held by the Company with InterCorp Retail Trust.
- (ii) 117,277,000 were settled in cash, so that during 2014 the Company received US\$117,277,000
- (iii) 30,000,000 were purchased on behalf of InterCorp Retail Inc.

## Notes to the combined financial statements

- Restructuring of their liabilities, purchases properties and investments in new projects for the Company's subsidiaries.

Likewise, 100 percent of the "Senior Unsecured Notes" is guaranteed by the Supermercados Peruanos S.A. and Eckerd Perú S.A.'s shares.

As a result of these issuances certain obligations and restrictive clauses must be complied until their maturity of cancellation.

The financial ratio required to the issuer and to the subsidiaries that guarantee these borrowings is "Financial debt, net of cash / EBITDA," which presents the followings limits:

- No greater than 3.75 times until September 2016
- No greater than 3.25 times between October 2016 and September 2017; and,
- No greater than 2.75 times after October 2017

In Management's opinion, these clauses do not limit the operations of Supermercados Peruanos and Subsidiaries and Eckerd Perú S.A. and Subsidiaries as of September 30, 2017 and December 31, 2016.

- (f) On June and September 2015, Supermercados Peruanos S.A. received two loans from Scotiabank, each of S/120,000,000, bearing an annual effective interest rate of 6.95 and 6.35 percent respectively, percent and with maturities in May 2022 and September 2020, respectively. These loans are secured with Company properties.

Additionally, in August 2017, it received two loans, amounting to S/15,000,000 and S/27,000,000, which bears an annual effective interest of 3.40%, with maturity in December 2017.

- (g) On September 2016, the Company received a loan from Bank of Tokyo, for US\$30,000,000 equivalent to S/98,010,000 as of September 30, 2017 (US\$30,000,000 equivalent to S/100,800,000 as of December 31, 2016), with maturity in September 2019 and which bears an annual effective interest rate of 2.54 percent during the first year and 2.64 percent during the following two years. This loan was recorded at its amortized cost after considering the respective up-front fees for approximately S/487,000 (S/752,000 as of December 31, 2016).

- (h) Corresponds to the debt that Supermercados Peruanos S.A. incurred with IBM del Perú S.A.C. and Hewlett Packard S.A. to purchase computer equipment. Said contracts do not have any specific guarantee.

- (i) Debts and interest – bearing loans payable are as follows:

	<b>As of September 30, 2017</b>	<b>As of December 31, 2016</b>
	S/(000)	S/(000)
2017	207,175	144,222
2018	146,585	126,128
2019	204,704	204,469
2020	68,483	65,835
2021 onwards	947,893	861,428
<b>Total</b>	<b>1,574,840</b>	<b>1,402,082</b>

## Notes to the combined financial statements

### 15. Income tax

- (a) The amounts presented in the statement of financial position as of September 30, 2017 and December 31, 2016, as well as the statements of comprehensive income for the nine-month periods ended September 30, 2017 and 2016 are shown below:

Statements of financial position	As of September 30, 2017		As of December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
	S/(000)	S/(000)	S/(000)	S/(000)
Eckerd Perú and Subsidiaries	15,065	-	12,193	-
Supermercados Peruanos and Subsidiaries	-	77,149	-	65,682
Combination adjustments	-	111,525	-	111,698
<b>Total</b>	<b>15,065</b>	<b>188,674</b>	<b>12,193</b>	<b>177,380</b>

Statements of comprehensive income	Income tax for the nine-month periods ended September 30, 2017 and 2016	
	2017	2016
	S/(000)	S/(000)
Current	(66,897)	(56,467)
Deferred	(9,238)	(11,056)
<b>Income tax expense</b>	<b>(76,135)</b>	<b>(67,523)</b>

- (b) As of September 30, 2017 and December 31, 2016 the income credit tax, net of provision for current income tax payable, amounts to approximately S/854,000 and S/8,709,000, respectively.

## Notes to the combined financial statements

### 16. Equity

#### (a) Capital stock –

Company	N° issued common shares		Nominal value	Accounting balance of issued capital	
	As of September 30, 2017	As of December 31, 2016		As of September 30, 2017	As of December 31, 2016
	S/. (000)	S/. (000)	S/. (000)	S/. (000)	
Supermercados Peruanos S.A. and Subsidiarias (*)	320,332,671	320,332,671	1.05	336,349	336,349
Eckerd Perú S.A. y Subsidiarias	13,783,428	13,783,428	1.00	13,784	13,784

(\*) During 2014, cash contributions were made (to Supermercados Peruanos S.A.) for a total amount of approximately S/230,788,000 (during 2015, and 2016 no cash contributions have been made to the companies). Approximately, S/182,837,000 of these contributions were made by InRetail Consumer and S/47,951,000 by InRetail Perú Corp.; consequently, only contributions made by InRetail Perú Corp. are considered as cash contribution for purpose of these combine financial statements. During the years 2013 and 2014, Supermercados Peruanos S.A. received equity contributions by InRetail Perú Corp. which were record as an increase of the capital stock pending to issue for approximately S/19,474,000. At the date of this report, Supermercados Peruanos S.A. is in the process of formalizing these contributions by the agreement of the respective Shareholders' General Meeting, and the issuance of the shares corresponding capital.

- (b) Additional paid-in capital: As of September 30, 2017 and December 31, 2016, the “Additional paid-in capital” caption includes the net effect of the adjustments related to the acquisition of Eckerd Perú S.A. and Subsidiaries at said dates; see Note 12(b).
- (c) Legal reserve: As provided in the Corporation Act, it is required that a minimum of 10 percent of distributable income for each year is transferred to a legal reserve until such reserve equals 20 percent of the capital. The legal reserve can absorb losses or be capitalized, but in both cases it must be replenished. The legal reserve is appropriated when the General Shareholders' Meeting approves the same.
- (d) Treasury shares: As of September 30, 2017, the Company and its subsidiaries acquired 8,507 shares issued by Supermercados Peruanos, for a total of S/39,000, the nominal value of said shares being S/9,000, with a difference of S/30,000 as a decrease of the capital premium.
- (e) Advance performance: During the year 2017, it was agreed to advance performance by S/72,638,000.

## Notes to the combined financial statements

### 17. Tax Situation

- (a) The Companies are subject to the Peruvian Tax System and they calculate their income Tax on the basis of their individual financial statements. As of September 30, 2017 the statutory Income Tax rate was 29.5 percent (28 percent as of December 31, 2016), on taxable income.

Entities and individuals not domiciled in Perú are subject to retention of an additional tax on dividends received. In this regard, attention to Legislative Decree N° 1261, published on December 10, 2016 and effective since January 1, 2017, the additional tax on dividend income generated is as follows:

- 4.1 percent of the profits generated until December 31, 2014
  - For the profits generated in the years 2015 and 2016 shall be 6.8 percent.
  - 5.0 percent for the profits generated since January 1, 2017.
- (b) According to the text of the Law on Income Tax, as amended by Law N° 29663 and 29757, as of year 2012, among the transactions subject to capital duty, are those obtained by the indirect sale of shares of Peruvian Companies. For these purposes, an indirect transfer is set when two instances occur together:
- First, 10 percent on more of the shares of non-resident must be sold in any twelve months period (assumed effective from February 16, 2011); and,
  - Second, the market value of the shares of the Peruvian society must represent 50 percent or more the market value of non-domiciled, in any period of twelve months (assumed effective from July 22, 2011);.
- (c) For purposes of determining the Income Tax, transfer pricing of transactions with related companies and companies domiciled in territories with low or no taxation must be supported with documentation and information on assessment methods applied and criteria considered. Based on the analysis of the operations of the Group, Management and its legal advisors consider that as consequence of the application of the regulation in force, there will not be any significant contingencies for the Companies as of September 30, 2017 and December 31, 2016.
- (d) 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 was submitted.

## Notes to the combined financial statements

Following are the years subject to review by the tax authority of the Companies:

	<b>Income Tax</b>	<b>Value added tax</b>
Supermercados Peruanos S.A.	From 2012 to 2016	From 2013 to 2016
Eckerd Perú S.A.	From 2014 to 2016	From 2013 to 2016
Eckerd Amazonia S.A.C.	From 2013 to 2016	From 2013 to 2016
Boticas del Oriente S.A.C.	From 2013 to 2016	From 2013 to 2016

According to Peruvian law, InRetail Consumer is not considered an income taxpayer due to its status as a trust. InRetail Consumer 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 authority may give to legislation, it is not possible to determine, to date, whether the reviews will result in liabilities for the Companies. Therefore, any major tax or surcharge that may result from eventual revisions by the tax authority would be charged to the combined statements of comprehensive income of the period in which said tax or surcharge is determined.

Management's opinion as well as its legal advisors opinion, any eventual additional tax settlement would not be significant to the combined financial statements as of September 30, 2017 and December 31, 2016.

### 18. Operating expenses

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

	<b>2017</b>	<b>2016</b>
	S/(000)	S/(000)
Cost of sales	3,839,084	3,574,999
Selling expenses	1,161,618	1,075,853
Administrative expenses	138,321	128,917
<b>Total</b>	<b><u>5,139,023</u></b>	<b><u>4,779,769</u></b>



## Notes to the combined financial statements

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

	<b>2017</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	962,870	-	-	962,870
Purchase of goods	3,870,244	-	-	3,870,244
Final balance of goods, Note 6(a)	(1,002,255)	-	-	(1,002,255)
Impairment of inventories, Note 6(c)	8,225	-	-	8,225
Packing and packaging	-	31,073	104	31,177
Personnel expenses	-	416,739	72,714	489,453
Depreciation, Note 10(a)	-	101,201	10,567	111,768
Amortization, Note 12(a)	-	6,849	4,387	11,236
Key money amortization	-	964	-	964
Services provided by third parties (b)	-	207,638	24,573	232,211
Advertising	-	70,494	-	70,494
Rental of premises	-	177,133	6,191	183,324
Taxes	-	21,729	2,896	24,625
Provision for doubtful trade receivables, Note 5(f)	-	1,660	-	1,660
Provision for doubtful other account receivables,	-	(296)	-	(296)
Insurance	-	6,980	588	7,568
Other charges (c)	-	119,454	16,301	135,755
<b>Total</b>	<b>3,839,084</b>	<b>1,161,618</b>	<b>138,321</b>	<b>5,139,023</b>

	<b>2016</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,	876,298	-	-	876,298
Purchase of goods	3,614,033	-	-	3,614,033
Final balance of goods	(922,394)	-	-	(922,394)
Impairment of inventories, Note 6(c)	7,062	-	-	7,062
Packing and packaging	-	33,373	162	33,535
Personnel expenses	-	407,797	67,345	475,142
Depreciation	-	95,788	10,886	106,674
Amortization	-	5,794	4,217	10,011
Key money amortization	-	998	-	998
Services provided by third parties (b)	-	173,861	20,843	194,704
Advertising	-	61,715	-	61,715
Rental of premises	-	159,524	6,448	165,972
Taxes	-	20,194	2,493	22,687
Provision for doubtful trade receivables, Note 5(f)	-	900	-	900
Insurance	-	7,602	552	8,154
Other charges (c)	-	108,307	15,971	124,278
<b>Total</b>	<b>3,574,999</b>	<b>1,075,853</b>	<b>128,917</b>	<b>4,779,769</b>

## Notes to the combined financial statements

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

(c) Mainly include general expenses in stores.

### 19. Income and Finance costs

The table below presents the components of this caption:

	2017 S/(000)	2016 S/(000)
<b>Finance income</b>		
Interest and others	9,914	3,324
<b>Total</b>	<b>9,914</b>	<b>3,324</b>
<b>Finance cost</b>		
Interest on loans, borrowings and bonds payable	59,080	63,822
Premium accrual "Call Spread"	4,237	3,523
Other financial costs	13,392	12,727
<b>Total</b>	<b>76,709</b>	<b>80,072</b>

### 20. Transactions with related parties

(a) The following table provides the total amount of transactions with related parties for the relevant financial periods ended September 30, 2017 and 2016:

	2017 S/(000)	2016 S/(000)
<b>Income</b>		
Sales	3,373	2,991
Rental income	18,533	12,236
Services income	5,736	4,571
Income from joint venture	18,061	13,246
Others	12,625	15,721
<b>Total</b>	<b>58,328</b>	<b>48,765</b>
<b>Expenses</b>		
Renting of premises and land	30,564	28,677
Reimbursement of expenses	12,266	12,832
Commissions	548	68
Interest	4,795	2,084
Others	10,118	7,978
<b>Total</b>	<b>58,291</b>	<b>51,639</b>

## Notes to the combined financial statements

- (b) As a result of the transactions with related companies, the Companies recorded the following balances of receivables and payables as of September 30, 2017 and December 31, 2016:

	As of September 30, 2017 S/(000)	As of December 31, 2016 S/(000)
<b>Receivables</b>		
Financiera Oh! S.A.	3,626	4,529
Banco Internacional del Perú S.A.A. – Interbank	3,292	1,945
Homecenters Peruanos S.A.	935	570
Bembos	542	305
Tiendas Peruanas S.A.	644	789
Interproperties Holding (f)	165	107
Urbi S.A.	205	213
Cineplex S.A.	658	103
Intercorp Retail Inc.	-	206
Others	6,834	11,056
<b>Total</b>	<b>16,901</b>	<b>19,823</b>
	S/(000)	S/(000)
<b>Payables</b>		
Interproperties Holding (f)	41,302	32,579
Homecenters Peruanos S.A (f)	18,413	12,179
Financiera Oh! (d)	33,766	24,573
Banco Internacional del Perú S.A.A. – Interbank:		
Line of credit and others	35	27
Deposit in guarantee (e)	5,600	5,470
Interseguro Compañía de Seguros S.A.	591	731
IR Management S.R.L.	1,749	1,680
Real Plaza S.A.	231	1,098
Horizonte Global Opportunities Perú S.A.	25	26
Cineplex S.A.	7	5
Others	1,846	1,909
	103,565	80,277
Remunerations payable to key management	-	-
<b>Total</b>	<b>103,565</b>	<b>80,277</b>
Current portion	39,850	31,410
Non-current portion	63,715	48,867
<b>Total</b>	<b>103,565</b>	<b>80,277</b>

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 combined financial statements

- (c) Outstanding balances at the year-end are unsecured and interest free, except for the financial obligations explained in note 14. There have been no guarantees provided or received for any related party receivables or payables. For the nine month periods end September 30, 2017 and 2016, the Companies have 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) On March 30, 2013, Supermercados Peruanos S.A. and Financiera Oh! S.A., a related entity, signed the "Contract of Issuance and Administration of the "Oh!" credit card". This contract allows that Financiera Oh! S.A. can exclusively operate its "Oh!" credit card in the Supermercados Peruanos stores.

Likewise, as a consequence of such contract, as of September 30, 2017 and December 31, 2016, Supermercados Peruanos S.A. holds accounts payable to Financiera Oh! S.A. for approximately S/33,766,000 and S/24,573,000 respectively, which corresponded mainly to the collection of installments to users of the "Oh!" credit card, which normally are transferred to Financiera Oh! S.A. the day following of its collection.

- (e) Supermercados Peruanos S.A. and Banco Internacional del Perú S.A.A. –Interbank signed contracts on leases of financial stores for 15 and 7 years in October 2004 and September 2009, respectively. Said 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 Combined statements of financial position. Additionally, and only in the case of the 2004 contract, Supermercados Peruanos S.A. received from Banco Internacional del Perú S.A.A. – Interbank US\$2,000,000 as collateral for the contract. As of March 31, 2017 and 2016, Supermercados Peruanos S.A. has credited the update of the present value of this deposit in the "Financial income" caption. The net present value of the balances related to guarantee deposit amount to S/5,600,000 and S/5,470,000 respectively, as of March 31, 2017 and December 31, 2016, and is accounted for in the "Other Payables" in the Combined statement of financial position. The contract signed in September 2009 finished in April 2016.

In relation to the contracts, during 2017 Supermercados Peruanos S.A. recognized accrued rental income that amounted to approximately S/759,000, equivalent to US\$238,000 (S/1,370,000, equivalent to US\$448,000, for the same period in 2016), which are recorded in the "Rental income" caption in the Combined income statements.

As of September 30, 2017, Supermercados Peruanos S.A. maintains deferred revenue that amounts to approximately S/1,831,000 (S/2,698,000 as of December 31, 2016) which will be recognized as income in upcoming periods.

- (f) As of September 30, 2017 mainly includes contributions from the affiliates Patrimonio en Fideicomiso D.S. N°093-2002-EF Interproperties Perú and Homecenters Peruanos S.A. for approximately S/40,021,000 and S/18,094,000, respectively (S/31,690,000 and S/11,707,000 as of December 31, 2016), these contributions arise from the joint venture agreements celebrated with the Company which establishes that the associates undertake to deliver cash in favor of the Company in exchange of having a participation in the results of the projects Mall "La Curva" and "Lurin". These agreements have a term o 30 an 60 years, respectively. For this reason is recognized as long-term liability.

## Notes to the combined financial statements

### 21. Deferred revenue

The table below presents the components of this caption:

	As of September 30, 2017 S/(000)	As of December 31, 2016 S/(000)
Leases to financial modules	1,851	2,698
Other leases	13,004	13,155
Other deferred revenue	<u>10,904</u>	<u>12,618</u>
<b>Total</b>	<b><u>25,759</u></b>	<b><u>28,471</u></b>
Current portion	2,615	3,737
Non-current portion	<u>23,144</u>	<u>24,734</u>
<b>Total</b>	<b><u>25,759</u></b>	<b><u>28,471</u></b>

As of September 30, 2017, the Company received from its related party Patrimonio en Fideicomiso D.S. N°093-2002-EF Interproperties Perú S/15,300,000 as loss profits. During the year 2016 an amount of S/5,300,000, corresponding to the time that the destruction and construction of the area ceded to a third party was carried out, was recognized as an income; the remaining amount will accrue in the remaining term of the lease that the Company maintains with its related party.

### 22. Commitments and contingencies

Commitments –

The main commitments assumed are presented below:

- (a) As of September 30, 2017 and December 31, 2016, the Companies have signed rental 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 based on sales, whichever is highest. The total commitments assumed up until 2077.
- (b) As of September 30, 2017 and December 31, 2016, the Companies agreed with several financial entities on the issuance of solidary and irrevocable letters of guarantee to comply with the payment of goods purchased to foreign suppliers.
- (c) During 2014, InRetail Consumer, issued US\$300,000,000 and S/250,000,000 of “Senior Guaranteed Notes” which are guaranteed by the Companies’ equity and other related parties.

Contingencies –

- (a) Eckerd Amazonia 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 a result of this contingency as of September 30, 2017 and December 31, 2016.

## Notes to the combined financial statements

- (b) Eckerd Perú S.A. has a legal process with its supplier Ekalmi S.A. as consequence of disagreements on the services it provides. At the date of this report, Ekalmi S.A. has demanded Eckerd Perú S.A. a pending payment for approximately S/12,000,000. As of September 30, 2017 and December 31, 2016, Eckerd Perú S.A. holds liabilities with this supplier for approximately S/5,000,000; and in opinion of Eckerd Perú S.A., it would be the maximum amount it would pay.
- (c) Supermercados Peruanos S.A. is a party to tax proceedings related to Income Tax returns and its monthly Value Added Tax presented in taxable years 2004 to 2010. As of the date of this report Supermercados Peruanos S.A. has challenged the Tax Administration for these resolutions and, in the opinion of Management as well as its legal advisors, Supermercados Peruanos has sufficient arguments supporting its case; hence it expects favorable results on the contingent issues explained above, and therefore has not recorded any provision for these processes as of September 30, 2017 and December 31, 2016, respectively.

### 23. Business segments

For management purposes, the Companies are organized into business units based on their products and services and they have two reportable segments i) supermarkets and ii) drugstores. 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 combined financial statements.

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

## Notes to the combined financial statements

The following table presents the financial information of Companies by business segments for the nine-month periods ended September 30, 2017 and 2016:

	Supermarkets S/(000)	Pharmacies S/(000)	Total segments S/(000)	Holding accounts, combination adjustments and intercompany eliminations S/(000)	Combined S/(000)
<b>For the nine-month periods ended September 30, 2017</b>					
<b>Revenue</b>					
External income	3,343,639	2,028,731	5,372,370	-	5,372,370
Inter-segment	8,714	-	8,714	(8,714)	-
<b>Total revenue</b>	<b>3,352,353</b>	<b>2,028,731</b>	<b>5,381,084</b>	<b>(8,714)</b>	<b>5,372,370</b>
Cost of sales	(2,477,552)	(1,361,532)	(3,839,084)	-	(3,839,084)
<b>Gross profit</b>	<b>874,801</b>	<b>667,199</b>	<b>1,542,000</b>	<b>(8,714)</b>	<b>1,533,286</b>
Other operating income	18,397	1,095	19,492	-	19,492
Selling expenses	(689,353)	(480,979)	(1,170,332)	8,714	(1,161,618)
Administrative expenses	(87,972)	(48,500)	(136,472)	(1,849)	(138,321)
Other operating expenses	(6,688)	(3,340)	(10,028)	-	(10,028)
<b>Operating profit</b>	<b>109,185</b>	<b>135,475</b>	<b>244,660</b>	<b>(1,849)</b>	<b>242,811</b>
Exchange difference, net	6,058	(1,061)	4,997	2,828	7,825
Finance income	2,275	4,735	7,010	2,904	9,914
Finance costs	(39,685)	(1,904)	(41,589)	(35,120)	(76,709)
<b>Profit before income tax</b>	<b>77,833</b>	<b>137,245</b>	<b>215,078</b>	<b>(31,237)</b>	<b>183,841</b>
Income tax expense	(32,717)	(43,418)	(76,135)	-	(76,135)
<b>Profit for the year</b>	<b>45,116</b>	<b>93,827</b>	<b>138,943</b>	<b>(31,237)</b>	<b>107,706</b>

## Notes to the combined financial statements

	Supermarkets S/(000)	Pharmacies S/(000)	Total segments S/(000)	Holding accounts, combination adjustments and intercompany eliminations S/(000)	Combined S/(000)
<b>For the nine-month periods ended September 30, 2016</b>					
<b>Revenue</b>					
External income	3,052,557	1,948,020	5,000,577	-	5,000,577
Inter-segment	9,062	-	9,062	(9,062)	-
<b>Total revenue</b>	<b>3,061,619</b>	<b>1,948,020</b>	<b>5,009,639</b>	<b>(9,062)</b>	<b>5,000,577</b>
Cost of sales	(2,257,406)	(1,317,593)	(3,574,999)	-	(3,574,999)
<b>Gross profit</b>	<b>804,213</b>	<b>630,427</b>	<b>1,434,640</b>	<b>(9,062)</b>	<b>1,425,578</b>
Other operating income	33,468	781	34,249	-	34,249
Selling expenses	(650,384)	(434,531)	(1,084,915)	9,062	(1,075,853)
Administrative expenses	(82,328)	(44,830)	(127,158)	(1,759)	(128,917)
Other operating expenses	(14,943)	(938)	(15,881)	-	(15,881)
<b>Operating profit</b>	<b>90,026</b>	<b>150,909</b>	<b>240,935</b>	<b>(1,759)</b>	<b>239,176</b>
Exchange difference, net	2,793	123	2,916	448	3,364
Finance income	1,804	2,053	3,857	(533)	3,324
Finance costs	(40,698)	(2,016)	(42,714)	(37,358)	(80,072)
<b>Profit before income tax</b>	<b>53,925</b>	<b>151,069</b>	<b>204,994</b>	<b>(39,202)</b>	<b>165,792</b>
Income tax expense	(22,347)	(45,176)	(67,523)	-	(67,523)
<b>Profit for the year</b>	<b>31,578</b>	<b>105,893</b>	<b>137,471</b>	<b>(39,202)</b>	<b>98,269</b>



## Notes to the combined financial statements

### Geographic information –

As of September 30, 2017 and December 31, 2016, the operations of the Companies are concentrated in Peru, therefore, there are no revenues from external customers, or assets located in a foreign country as of those dates.

### 24. Fair value

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

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

The following methods and assumptions were used to estimate the fair value of the main financial instruments:

- (a) Financial instruments whose fair value are 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 another payables and other current liabilities, approximate to their carrying amounts largely due to the short-term maturities of these instruments.
- (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 instruments. 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 combined financial statements

### Fair value hierarchy

The Companies use the following hierarchy to record or disclose, as required by the IFRS, the fair value of the financial instruments and investment properties recorded in the combined statements 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 companies do not hold financial instruments whose fair value was determined through level 3, nor were there inter-level transfers during the nine-month periods ended September 30, 2017 and 2016. The Companies holds 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.
- Bonds issued, and debts and loans that accrue interests, whose exposure fair values were determined through the Level 2 hierarchy.