

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

Interim combined financial statements as of December 31, 2021 and
December 31, 2020 and for the twelve month periods ended
December 31, 2021 and 2020

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

Interim combined statements of financial position

As of December 31, 2021 and December 31, 2020

	Note	2021	2020		Note	2021	2020
		S/(000)	S/(000)			S/(000)	S/(000)
Assets				Liabilities and equity			
Current assets				Current liabilities			
Cash and short-term deposits	4	717,812	907,048	Trade payables	13	3,846,187	3,248,861
Investment at fair value through profit or loss		39,986	93,061	Other payables		529,251	612,755
Financial instruments at amortized cost		-	24,624	Accounts payable to related parties	21(b)	61,844	29,439
Trade receivables, net	5	590,087	589,256	Interest-bearing loans and borrowings	15	482,369	1,672,617
Other receivables, net		115,449	107,362	Lease liability	14(c)	263,494	229,726
Accounts receivables from related parties	21(b)	65,515	46,848	Current income tax, net	16(b)	14,586	73,682
Inventories, net	6	2,617,744	2,158,521	Deferred revenue	22	17,985	13,678
Prepayments	8	15,740	12,916	Total current liabilities		5,215,716	5,880,758
Taxes recoverable		265,862	127,677				
Total current assets		4,428,195	4,067,313	Non-current liabilities			
				Other payables		2,231	2,317
Non-current assets				Accounts payable to related parties	21(b)	91,391	90,548
Other receivables, net		98,317	62,481	Interest-bearing loans and borrowings	15	5,008,705	3,147,970
Taxes recoverable		-	3,713	Lease liability	14(c)	1,445,500	1,417,144
Derivative financial instruments	9	224,801	112,273	Deferred revenue	22	30,299	25,141
Investment at fair value through equity	7	52,956	54,061	Income tax related to Special Purpose Entities		3,582	-
Property, furniture and equipment, net	10	4,128,817	3,841,856	Deferred income tax liabilities, net	16(a)	411,336	451,279
Right of- use- assets, net	14(b)	1,495,475	1,545,805	Reserves for employee retirement pension funds	-	27,111	21,131
Investment properties	11	241,632	282,245	Total non-current liabilities		7,020,155	5,155,530
Intangible assets, net	12	3,951,915	3,912,701	Total liabilities		12,235,871	11,036,288
Deferred income tax assets, net	16(a)	117,489	88,003				
Other assets		2,463	7,949	Equity			
Total non-current assets		10,313,865	9,911,087	Capital stock	17	369,551	369,551
				Capital premium		181,507	181,507
Total assets		14,742,060	13,978,400	Treasury shares		(9)	(9)
				Additional paid in capital		706,427	706,427
				Other reserve		821,498	821,498
				Unrealized results from foreign currency translation		3,561	1,840
				Unrealized results on derivative financial instrument		(108,902)	(40,610)
				Unrealized results on investment at fair value through equity		12,180	12,858
				Unrealized results from actuarial reserve for retirement		643	927
				Legal Reserve		91,569	70,173
				Retained earnings		373,313	712,014
				Total equity		2,451,338	2,836,176
				Non-controlling interests		54,851	105,936
				Total liabilities and equity		14,742,060	13,978,400

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 InRetail Pharma S.A. and Subsidiaries

Interim combined income statements

For the twelve -month periods ended December 31, 2021 and 2020

	Note	2021 S/(000)	2020 S/(000)
Net sales of goods		17,033,214	13,727,509
Rental income		161,975	135,463
Rendering of services		238,950	201,381
Revenue		17,434,139	14,064,353
Cost of sales	19	(12,730,963)	(10,086,246)
Gross profit		4,703,176	3,978,107
Loss from joint venture	21	-	(2,195)
Loss on valuation at fair value of investment properties	11	(3,294)	(15,458)
Selling expenses	19	(2,922,797)	(2,463,595)
Administrative expenses	19	(537,895)	(449,485)
Other operating income (expenses), net		4,377	(240)
Operating profit		1,243,567	1,047,134
Financial income	20	11,859	8,550
Financial expenses	20	(561,915)	(335,300)
Exchange difference, net		(150,661)	(120,564)
Profit before income tax		542,850	599,820
Income tax expense	16	(217,584)	(203,831)
Net profit		325,266	395,989
Attributable to:			
Owners of the parent		296,507	359,288
Non-controlling interests		28,759	36,701
Net profit		325,266	395,989

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 InRetail Pharma S.A. and Subsidiaries

Interim combined statements of comprehensive income

For the twelve -month periods ended December 31, 2021 and 2020

	2021 S/(000)	2020 S/(000)
Net profit	325,266	395,989
Other comprehensive income		
Unrealized (loss) gain on available-for-sale investments	(1,105)	8,627
Income tax effect	326	(2,545)
Total other comprehensive income of available for sale investment	(779)	6,082
Unrealized loss in derivative financial instrument	(96,011)	(61,412)
Transfer of realized gain on derivative financial instrument to profit or loss for the period	-	-
Income tax effect	26,691	18,117
Total other comprehensive income derivative financial instruments	(69,320)	(43,295)
Unrealized gain results from foreign currency translation	1,809	1,674
Total other income result from foreign currency translation	1,809	1,674
Unrealized (loss) gain from actuarial reserve for retirement	(326)	588
Total other comprehensive income from actuarial reserve retirement	(326)	588
Other comprehensive income for the period, net of income tax effects	(68,616)	(34,951)
Total comprehensive income for the period	256,650	361,038
Attributable to:		
Owners of the parent	228,827	328,875
Non-controlling interests	27,823	32,163
Total comprehensive income for the period	256,650	361,038

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 InRetail Pharma S.A. and Subsidiaries

Interim combined statements of changes in equity

For the twelve -month periods ended December 31, 2021 and 2020

	Capital stock	Additional paid in capital	Capital premium	Treasury shares	Other reserve	Unrealized results on derivative financial instruments	Unrealized results on investments at fair value through equity	Unrealized results from foreign currency translation	Unrealized results from actuarial reserve for retirement	Legal reserve	Retained earnings	Total	Non-controlling interests	Total equity
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Balance as of January 1, 2020	369,551	706,427	181,507	(9)	821,498	(2,935)	7,565	(208)	415	44,022	629,438	2,757,271	100,979	2,858,250
Profit for the period	-	-	-	-	-	-	-	-	-	-	359,288	359,288	36,701	395,989
Other comprehensive income	-	-	-	-	-	(37,675)	5,293	1,457	512	-	-	(30,413)	(4,538)	(34,951)
Total comprehensive income	-	-	-	-	-	(37,675)	5,293	1,457	512	-	359,288	328,875	32,163	361,038
Dividends	-	-	-	-	-	-	-	-	-	-	(249,970)	(249,970)	-	(249,970)
Dividends for non-controlling	-	-	-	-	-	-	-	-	-	-	-	-	(27,206)	(27,206)
Transfer to legal reserve	-	-	-	-	-	-	-	-	-	26,166	(26,166)	-	-	-
Other	-	-	-	-	-	-	-	591	-	(15)	(576)	-	-	-
Balance as of December 31, 2020	369,551	706,427	181,507	(9)	821,498	(40,610)	12,858	1,840	927	70,173	712,014	2,836,176	105,936	2,942,112
Balance as of January 1, 2021	369,551	706,427	181,507	(9)	821,498	(40,610)	12,858	1,840	927	70,173	712,014	2,836,176	105,936	2,942,112
Profit for the period	-	-	-	-	-	-	-	-	-	-	296,507	296,507	28,759	325,266
Other comprehensive income	-	-	-	-	-	(68,292)	(678)	1,574	(284)	-	-	(67,680)	(936)	(68,616)
Total comprehensive income	-	-	-	-	-	(68,292)	(678)	1,574	(284)	-	296,507	228,827	27,823	256,650
Dividends	-	-	-	-	-	-	-	-	-	-	(613,675)	(613,675)	-	(613,675)
Dividends for non-controlling	-	-	-	-	-	-	-	-	-	-	-	-	(78,898)	(78,898)
Transfer to legal reserve	-	-	-	-	-	-	-	-	-	25,421	(25,421)	-	-	-
Other adjustment	-	-	-	-	-	-	-	147	-	(4,025)	3,888	10	(10)	-
Balance as of December 31, 2021	369,551	706,427	181,507	(9)	821,498	(108,902)	12,180	3,561	643	91,569	373,313	2,451,328	54,851	2,506,189

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 InRetail Pharma S.A. and Subsidiaries

Interim combined statements of cash flows

For the twelve -month periods ended December 31, 2021 and 2020

	2021	2020
	S/(000)	S/(000)
Operating activities		
Revenue	17,341,475	13,934,885
Payments to suppliers of goods and services	(13,987,105)	(11,027,360)
Payments to employees for salaries and social benefits	(1,369,490)	(1,233,732)
Taxes paid	(561,507)	(323,107)
Other payments, net	(14,111)	(11,973)
Net cash flows from operating activities	1,409,262	1,338,713
Investing activities		
Collection of loans to related parties	49,173	500
Sales of property, furniture and equipment	1,335	3,631
Sales of investment at fair value through profit or loss	139,401	342,181
Sales of subsidiary, net of cash delivered	37,372	5,834
Acquisition of subsidiary, net of cash acquired	(43,381)	(1,212,599)
Loans granted to related parties	(45,096)	(1,860)
Purchase of investment at fair value through profit or loss	(61,400)	(443,903)
Purchase of property, furniture and equipment, net of acquisitions through leasing	(484,153)	(203,633)
Purchase and development of intangible assets	(64,325)	(39,312)
Purchase of investment properties, net of acquisitions through leasing	(2,009)	(7,760)
Net cash flows used in investing activities	(473,083)	(1,556,921)
Financing activities		
Proceeds from interest-bearing loans and borrowings	1,884,212	2,913,957
Proceeds from bond issuances, net of up-front fees	2,766,554	-
Proceeds from early settlement of hedging instrument	21,385	-
Payment of interest-bearing loans and borrowings	(2,811,624)	(1,637,757)
Payment of bonds issuance	(1,478,000)	-
Payment of premium for advanced cancelation of senior notes	(47,530)	-
Interest payment	(201,561)	(183,182)
Payment of lease liability	(320,118)	(279,147)
Interest payment of lease liability	(121,815)	(112,732)
Purchase of bonds of own issuance	(124,345)	-
Dividends payment	(692,573)	(249,970)
Dividends payment to non controlling interest	-	(27,206)
Rent payments and key money paid in advance	-	(437)
Net cash flows (used in) from financing activities	(1,125,415)	423,526
Net (decrease) increase of cash and short-term deposits	(189,236)	205,318
Cash and short-term deposits at the beginning of the period	907,048	701,730
Cash and short-term deposits at the end of the period	717,812	907,048
Non-cash transactions		
Fixed assets purchased through leasing and others financial obligation	46,173	12,614
Intangibles from the acquisition of a subsidiary	158,000	-
Addition of the period of right-of-use asset	313,388	298,978

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 InRetail Pharma S.A. and Subsidiaries

Notes to the interim combined financial statements

As of December 31, 2021 and December 31, 2020

1. Identification, business activities, acquisition and disposal of subsidiaries, and pandemic

(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 December 31, 2021, the representative shares of capital stock of Supermercados Peruanos S.A. and Subsidiaries, InRetail Pharma S.A. and Subsidiaries, Agora Servicios Digitales S.A.C. and InDigital XP S.A.C. are maintained in trust in this entity.

Supermercados Peruanos S.A., InRetail Pharma S.A., InRetail Foods S.A.C., Agora Servicios Digitales S.A.C. and InDigital XP S.A.C. were incorporated in June 1979, August 1996, December 2020, June 2019 and October 2019, respectively, in Lima, Peru. As of December 31, 2021 and December 31, 2020, 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.
- 87.02% of InRetail Pharma S.A.
- 100.00% of InRetail Foods S.A.C.
- 100.00% of Agora Servicios Digitales S.A.C.
- 100.00% of InDigital XP S.A.C.

(b) Business activities

The following is a description of the Companies activities:

- Supermercados Peruanos S.A. is dedicated to retail. As of December 31, 2021, has a chain of stores operating under "Plaza Veá", "Plaza Veá Super", "Vivanda", "Mass" and "Makro" (as of December 31, 2020, "Plaza Veá", "Plaza Veá Super", "Vivanda", "Mass", "Economax" and "Makro") 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., (ii) Plaza Veá Oriente S.A.C. (iii) Makro Supermayorista S.A., (iv) Operadora de Servicios Logísticos S.A.C., (v) Backoffice Peruanos S.A.C., (vi) Compañías de servicios de Operación Hard Discount S.A.C. and (vii) Compañía de Servicios de Operación Food Retail S.A.C.

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

- InRetail Foods S.A.C. a Company incorporated only with the purpose of acquiring 37.42 percent of Makro Supermayorista S.A. In the General Shareholder's Meeting of Supermercados Peruanos S.A. and InRetail Foods S.A.C., dated February 15, 2021, the merger of both companies was agreed, as mentioned before. InRetail Foods S.A.C. was the entity absorbed.

Notes to the combined financial statements

- InRetail Pharma 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” and “Mifarma” pharmacy chains. It is also dedicated, to the Manufacturing, Distribution and Marketing of pharmaceutical products. As of December 31, 2021 it operates in Perú, Ecuador and Bolivia (as of December 31 de 2020, Perú, Colombia, Ecuador and Bolivia). InRetail Pharma S.A. holds 100 percent of: (i) Droguería InRetail Pharma S.A.C., (ii) Farmacias Peruanas S.A.C., (iii) Mifarma S.A.C., (iv) Química Suiza S.A.C. (v) Boticas IP S.A.C. and (vi) Quicorp Group. See Note 1 c).

During the years 2021 and 2020, the Company disposed of the following subsidiaries: Mifarma S.A. (Bolivia), Cifarma S.A.C. (Perú), and Química Suiza Colombia S.A.S. (Colombia). See Note 1 (b).

- Agora Servicios Digitales S.A.C. (formerly InDigital S.A.C.) established in June 2019, which manages and operates mainly digital payment services through of a digital platform. The legal domicile of the Company, where its administrative offices are located, is located at Calle Morelli N 181, San Borja, Lima, Peru.

On October 4, 2021, the Company through its subsidiary InRetail Consumer acquired the 100 percent of the shares of InDigital S.A.C. The amount disbursed was S/56,661,000.

- InDigital XP S.A.C. (formerly IR Digital S.A.C.) established in October 2019, which manages, operates and provides support in services of digital businesses to the Group's subsidiaries. The legal domicile of the Company, where its administrative offices are located, is located at Calle Morelli N 139, San Borja, Lima, Peru.

On October 4, 2021, the Company through its subsidiary InRetail Consumer acquired the 100 percent of the shares of InDigital XP S.A.C. The amount disbursed was S/3,493,000.

The following is a summary of the main data of the financial statements of Supermercados Peruanos S.A. and Subsidiaries and InRetail Pharma S.A. and Subsidiaries as of December 31, 2021 and December 31, 2020, and for the twelve -month periods ended December 31, 2021 and 2020:

	<u>Supermercados Peruanos S.A. and Subsidiaries</u>		<u>InRetail Pharma S.A and Subsidiaries</u>	
	<u>As of December 31,</u>	<u>As of December 31,</u>	<u>As of December 31,</u>	<u>As of December 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	S/(000)	S/(000)	S/(000)	S/(000)
Consolidated statements of financial position				
Total assets	7,555,044	6,732,146	5,907,537	5,803,532
Total liabilities	6,671,761	5,435,726	5,489,353	4,988,781
Equity	883,283	1,296,420	418,184	814,751
	Balance as of	Balance as of	Balance as of	Balance as of
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	S/(000)	S/(000)	S/(000)	S/(000)
Consolidated income statements				
Operating profit	576,419	403,302	697,334	649,366
Net profit	142,104	119,563	221,344	282,561

The combined financial statements as of December 31, 2021 were approved by management of InRetail Perú Corp. on February 28, 2022.

Notes to the combined financial statements

(c) Acquisitions and disposal of subsidiaries

- Acquisition of Makro Supermayorista S.A.
In December 2020, InRetail Perú Corp., through its subsidiaries Supermercados Peruanos S.A. and InRetail Foods, acquired 100 percent of Makro Supermayorista S.A. (hereinafter "Makro"). Makro is a cash-and-carry wholesaler that sells food and non-food products to professional as well as individual customers. The acquisition operation included 16 stores in Lima and Provinces and the "Makro" and other minor private label brands.

The price of the transaction was US\$359,619,000 (equivalent to approximately S/1,300,743,000), which was paid in full with the proceeds from the Bridge Facility. The Bridge Facility was for an amount up to US\$375,000,000 (equivalent to approximately S/1,356,000,000), was arranged with J.P. Morgan Chase Bank, N.A. and contained covenants, including restrictions on incurrence of debt and maintenance of certain financial ratios, among others (see note 15(b) and 15(c)).

The acquisition of Makro was recorded in accordance with IFRS 3 "Business Combinations", applying the "Purchase" accounting method. Under this method, assets and liabilities were recorded at their estimated fair values at the date of purchase, including identified intangible assets not recorded in the financial statements position of each entity acquired.

The following are the preliminary fair values of the identifiable assets and liabilities of Makro at the date of acquisition:

	Fair value of the acquired entity S/(000)
Assets	
Cash and short-term deposits	88,144
Trade accounts receivables, net	1,807
Other accounts receivables	48,541
Inventories, net	121,409
Property, installations, furniture and equipment, net	692,592
Right-of- use-assets, net	23,884
Intangibles, net	220,027
Other assets	1,719
Liabilities	
Trade accounts payables	(252,077)
Other accounts payables	(54,292)
Lease liabilities	(26,404)
Interest-bearing loans and borrowings	(59,755)
Deferred income tax liabilities, net	(133,430)
Total net assets identified at fair value	672,165
Goodwill generated in the acquisition, note 12 (d)	628,578
Purchase price transferred	1,300,743

The recorded goodwill amounting to S/628,578,000 represents the future synergies that are expected to arise from the combination of operations, distribution channels, workforce and other efficiencies not included in the intangible assets of the present value of the current business.

Notes to the combined financial statements

- Acquisitions of Agora Servicios Digitales S.A.C. and InDigital XP S.A.C.
On October 4, 2021, InRetail Consumer, acquired the 100 percent of the shares of Agora Servicios Digitales S.A.C. and InDigital XP S.A.C. The amount disbursed was S/56,661,000 and S/3,493,000, respectively.

Agora Servicios Digitales S.A.C. manages and operates digital payment services through a digital platform and InDigital XP S.A.C. manages, operates and provides support in digital commerce services to the Group's subsidiaries.

The acquisition of both Companies was recorded in accordance with IFRS 3 "Business Combinations", applying the "Purchase" accounting method. Under this method, assets and liabilities were recorded at their estimated fair values at the date of purchase, including identified intangible assets not recorded in the statement of financial position of each acquired entity.

The following are the preliminary fair values of the identifiable assets and liabilities of the Companies at the date of acquisition:

	<u>Fair value of the acquired entity</u>	
	<u>Agora Servicios Digitales S.A.C.</u>	<u>InDigital XP S.A.C.</u>
	S/(000)	S/(000)
Assets		
Cash and short-term deposits	12,237	59
Trade accounts receivables, net	1,640	383
Other accounts receivables	1,247	2,897
Inventories, net	1,957	-
Property, installations, furniture and equipment, net	291	526
Deferred income tax assets, net	15,781	3,483
Intangibles, net	145	188
Other assets	7,015	155
Liabilities		
Trade accounts payables	(214)	(2,557)
Other accounts payables to related parties	(34,990)	(240)
Other accounts payables	(1,593)	(1,771)
Total net assets identified at fair value	3,516	3,123
Goodwill generated in the acquisition, Note 12 (d)	53,145	370
Purchase price transferred	56,661	3,493

Considering that the acquisition date was October 4, 2021, the fair values of the identifiable assets and liabilities of Agora Servicios Digitales S.A.C. and InDigital XP S.A.C. correspond to preliminary amounts. In Management's opinion, they will have the final balances and finish the measurement period during 2022, which is in accordance to IFRS 3.

Notes to the combined financial statements

- Disposal of subsidiaries

On January 22 and February 16, 2021, InRetail Pharma Group transferred 100 percent of its participation in Química Suiza Colombia S.A.S. and Cifarma S.A.C. for approximately US\$1,958,000 (equivalent to S/7,093,000) and US\$9,545,000 (equivalent to S/34,879,000), to non-related entities.

On October 5, 2020, InRetail Pharma Group sold its shareholder interest in its Bolivian subsidiary Mifarma S.A. for approximately US\$2,000,000 (equivalent to S/7,233,000) to non-related entities.

The following are the assets and liabilities, at the date of disposals:

	2021		2020
	Química Suiza Colombia S.A.A. S/(000)	Cifarma S.A.C. (Perú) S/(000)	Mifarma S.A. (Bolivia) S/(000)
Assets			
Cash and short-term deposits	2,085	2,514	1,399
Inventories, net	4,487	20,001	8,522
Property, furniture and equipment, net	207	10,617	809
Right-of-use-assets, net	57	16,960	891
Intangible assets, net	-	6,907	-
Other	9,533	25,475	610
	16,369	82,474	12,231
Liabilities			
Trade accounts payables	6,709	14,018	7,586
Lease liabilities	92	20,164	890
Other	5,154	6,641	2,327
	11,955	40,823	10,803
Net value	4,414	41,651	1,428

(d) Pandemic

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

In order to reduce the impact on the Peruvian economy, the Peruvian Government granted a subsidy of 35 percent of monthly salaries up to S/1,500 and, only for labor contracts that do not set a term or end after March 15, 2020. The subsidy was paid to the Company's Subsidiaries in April for an amount of approximately S/4,405,000.

Notes to the combined financial statements

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

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

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

On April 14, 2021, the government of Peru announced that, due to an increase in infections, several regions of the country would return to the level of extreme risk, where the allowed capacity in shopping centers will be 20% that will govern from April 19 to May 5, 2021.

Since July 12, 2021, restrictions on Sundays were lifted, capacity in Malls was increased to 50%, and opening hours were increased until 10 pm. Since September 6, 2021, most regions have been classified at the lowest risk level.

The Peruvian Government announced that, due to the increase in infections, several regions of the country would return to the high risk level, where the capacity allowed in shopping centers will be 60 percent, which will be in force from December 15, 2021 to January 30, 2022.

These restrictions due not affect essential activities such as the supply of pharmaceutical and supermarkets.

The Company and its Subsidiaries operate mainly in the supermarkets and pharmacies, both business segments are considered essential. The Company's Management and its subsidiaries estimate that the pandemic will not have a significant impact on the combined financial statements.

Notes to the combined financial statements

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 December 31, 2021 and December 31, 2020.

The interim condensed combined financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit and loss, financial instruments at fair value through other comprehensive income, investment properties and derivative financial instruments, 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, 2020.

(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 InRetail Pharma 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.

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 InRetail Pharma S.A. (former 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, 2020, except for the adoption of the new standards and interpretations as of January 1, 2020.

The standards, improvements and modifications to the standards issued that are in effect on the date of issuance of these combined financial statements are detailed below:

- (i) **Amendments to IFRS 3 “Business combinations”:** Reference to the Conceptual Framework
In May 2020, the IASB issued Amendments to IFRS 3, intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989 with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘Day 2’ gain or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 “Levies”, if uncured separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of the first application, the Companies and its subsidiaries Group will not be affected by these amendments on transition.

Notes to the combined financial statements

- (ii) Modifications to IAS 1 "Presentation of financial statements" Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: (i) what is meant by a right to defer settlement; (ii) that a right to defer must exist at the end of the reporting period; (iii) that classification is unaffected by the likelihood that an entity will exercise its deferral right; and, (iv) that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

The companies and its subsidiaries are currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- (iii) Amendments to IAS 16 "Property, plant and equipment": Proceeds before intended Use
May 2020, the IASB issued amendments to IAS 16, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Companies and its subsidiaries.

- (iv) Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets": Onerous Contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after January 1, 2022.

The Companies and its subsidiaries will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Notes to the combined financial statements

(v) Annual Improvements (2018-2020 cycle)

As part of its 2018-2020 annual improvement to IFRS standards process, the IASB issued the following amendments:

- IFRS 1 “First-time Adoption of international financial reporting standards”: Subsidiary as a first-time adopter
The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.
- IFRS 9 “Financial instruments”: Fees in the 10 percent test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.
- IAS 41 “Agriculture”: Taxation in fair value measurements
The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

In the Management's opinion, these standards will not have a significant impact on the consolidated financial statements of the Companies and its Subsidiaries.

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 December 31, 2021, the end of period exchange rates in the market for transactions in US Dollars were S/3.975 per US\$1 bid and S/3.998 per US\$1 ask (S/3.618 and S/3.624 per US\$1 bid and ask as of December 31, 2020).

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by authorized entities of the country in which the Company and its Subsidiaries operate. As of December 31, 2021 and December 31, 2020, the end of period exchange rates at the market for transactions of the different currency in relation to the Sol are as following:

Exchange rate per Soles	2021	2020
U. S. Dollars (US\$)	0.250	0.276
Bolivian Peso (b\$)	1.741	1.921
Colombian Peso (\$)	-	947.158

As of December 31, 2021 and December 31, 2020, the companies held the following foreign currency assets and liabilities:

	Balance as of December 31, 2021		As of December 31, 2020		
	US\$(000)	B\$ (000)	US\$(000)	B\$ (000)	\$ (000)
Assets					
Cash and short-term deposits	73,194	21,383	30,905	18,278	621,811
Investments at fair value through profit or loss	10,002	-	7,503	-	-
Investments at fair value through equity	43,322	-	21,737	-	-
Trade receivables, net	47,634	31,704	57,381	47,684	9,054,828
Other accounts receivables, net	10,145	3,986	4,661	4,732	-
Accounts receivable from related parties	424	-	838	-	-
Total assets	184,721	57,073	123,025	70,694	9,676,639
Liabilities					
Trade payables	(92,542)	(15,171)	(115,566)	(16,909)	(4,310,221)
Other payables	(14,673)	(7,851)	(10,760)	(8,111)	-
Accounts payable to related parties	(372)	-	(1,211)	-	-
Lease liability	(250,941)	(1,267)	(272,762)	(1,983)	-
Interest - bearing loans and borrowings	(586,831)	-	(788,427)	-	(2,989,968)
Total Liabilities	(945,359)	(24,289)	(1,188,726)	(27,003)	(7,300,189)
Hedge amount	600,000	-	400,000	-	-
Net (liability) asset position	(160,638)	32,784	(665,701)	43,691	2,376,450

- (a) As of December 31, 2021, InRetail Pharma S.A., Supermercados Peruanos S.A. and InRetail Consumer, Subsidiaries of the Company, reduced their exchange rate risk with hedging operations through seven contracts, three Call Spreads and four Range Principal Only Swaps (Call Spread as of December 31, 2020) written over its "Senior Secured Notes", and intercompany loans, which were considered an effective hedging instruments.

Notes to the combined financial statements

The Call Spreads were written over a nominal amount of US\$138,000,000, US\$138,000,000 and US\$24,000,000, and the Range Principal Only Swaps over a nominal value of US\$100,000,000, US\$100,000,000, US\$50,000,000 and US\$50,000,000 (Call Spread of US\$400,000,000 as of December 31, 2020), and will be effective until the cancelation of the “Senior Secured Notes” and Intercompany loans. See further detail in Note 9.

- (b) As of December 31, 2020, InRetail Pharma S.A., reduced its exchange rate risk with one hedging operation, a Call Spread written over its “Senior Notes Unsecured”, which was considered an effective hedging instrument. The Call Spread was written over a nominal amount of US\$400,000,000, and was effective until the cancelation of the “Senior Notes Unsecured”. InRetail Pharma settled the Call Spread early. See further detail in Note 9.
- (c) For the twelve-month period ended as of December 31, 2021 and 2020, the Company and its Subsidiaries have incurred in the following results for exchange difference:

	2021	2020
	S/(000)	S/(000)
Exchange difference generated by hedged assets and liabilities	(207,400)	(122,800)
Compensation of exchange difference for hedging derivative	207,400	122,800
Exchange difference generated by unhedged assets and liabilities	(150,661)	(120,564)
Net loss	<u>(150,661)</u>	<u>(120,564)</u>

4. Cash and short-term deposits

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

	As of December 31,	As of December 31,
	2021	2020
	S/(000)	S/(000)
Cash	19,739	7,154
Current accounts (b)	532,875	602,432
Time deposits (c)	38,104	167,102
Remittances in transit	127,094	130,360
Total	<u>717,812</u>	<u>907,048</u>

- (b) The Companies maintain current accounts in local banks in local currency of each country and US Dollars that do not accrue interest and are freely available.
- (c) As of December 31, 2021, 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 accrue interest between 1.50 and 2.50 percent annual in Soles and 0.05 percent annual in US Dollars (between 0.01 and 0.12 percent annual in Soles, between 1.50 and 1.62 percent annual in Colombian Pesos and between 0.05 and 0.10 percent annual in US Dollars as of December 31, 2020).

Notes to the combined financial statements

5. Trade receivables, net

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

	As of December 31, 2021 S/(000)	As of December 31, 2020 S/(000)
Trade accounts receivable (c)	549,873	575,770
Credit card operations (d)	79,899	65,392
Rent receivable (e)	2,986	3,758
Others	3,691	2,209
Total	636,449	647,129
Provision for doubtful accounts (f)	(46,362)	(57,873)
Total	590,087	589,256

(b) Trade receivables are denominated in local currency of each country and US Dollars, have current maturities and do not accrue 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) Corresponds mainly to pending deposits in favor of Supermercados Peruanos and InRetail Pharma Group for the last day of the month, respectively, held by credit card operators and originated from the sales of goods with credit cards in the different stores of Supermercados Peruanos and InRetail Pharma.

(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 twelve -month periods ended December 31, 2021 and 2020, were as follows:

	2021 S/(000)	2020 S/(000)
Balance at the beginning of the year	57,873	49,519
Acquisition of subsidiary	-	843
Provision recognized as year expense, Note 19 (a)	8,762	12,368
Recoveries, Note 19 (a)	(4,015)	(1,514)
Write-off and recoveries	(18,444)	(5,082)
Exchange difference	2,179	1,739
Other	7	-
Balance at the end of the period	46,362	57,873

As of December 31, 2021 and December 31, 2020, the amount of trade receivables past due but not impaired amounted to approximately S/84,480,000 and S/92,026,000, 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 December 31, 2021 and December 31, 2020 appropriately covers the credit risk of this item at those dates.

Notes to the combined financial statements

6. Inventories, net

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

	As of December 31, 2021 S/(000)	As of December 31, 2020 S/(000)
Goods, Note 19 (a)	2,321,077	2,012,314
Finished goods, Note 19 (a)	-	455
Raw material, Note 19 (a)	879	19,552
In transit inventories (b)	308,954	143,621
Miscellaneous supplies	7,330	4,464
Miscellaneous supplies for manufacturing	874	-
Total	2,639,114	2,180,406
Minus		
Provision for impairment of inventories (c)	(21,370)	(21,885)
Total	2,617,744	2,158,521

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

(c) The changes in the provision for inventory impairment for the twelve -month periods ended as of December 31, 2021 and 2020 were as follows:

	2021 S/(000)	2020 S/(000)
Balance at the beginning of the year	21,885	15,346
Acquisition of subsidiary	-	557
Provision of the period, Note 19 (a)	15,452	12,862
Recovery	(10,132)	-
Write-off	(6,227)	(7,218)
Foreign currency translation	392	338
Balance at the end of the period	21,370	21,885

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. Investment at fair value through equity

As of December 31, 2021, the Company has other investments at fair value through equity for an amount of US\$13,322,000 equivalent to S/52,956,000 (US\$14,942,000 equivalent to S/54,061,000 as of December 31, 2020).

The fair value of these instruments is determined by the price quotes published in an active market.

As of December 31, 2021 and December 31, 2020, the unrealized result net of deferred tax is S/12,280,000 and S/12,858,000 respectively and is presented in the combined statement of changes in equity.

Notes to the combined financial statements

8. Prepayments

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

	As of December 31, 2021 S/(000)	As of December 31, 2020 S/(000)
Prepaid rent	914	1,136
Insurance	944	1,755
Prepaid tax	586	906
Others	13,296	9,119
Total	15,740	12,916

9. Derivatives financial instruments

As of December 31, 2021, this item comprises of seven contracts, three principal Call Spreads and four Range Principal Only Swaps (one Call Spread as of December 31, 2020) 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	Pays fixed rate at %	Book value of	Fair value	Fair value
				the hedged item S/(000)	2021 S/(000)	2020 S/(000)
Citibank N.A. (a)	400,000	May 2023	1.27	1,449,600	-	112,273
Citibank N.A. (b)	138,000	March 2028	1.04	551,724	38,856	-
Citibank N.A. (b)	100,000	March 2028	2.50	399,800	44,979	-
Citibank N.A. (b)	50,000	March 2028	2.50	199,900	22,282	-
Citibank N.A. (b)	138,000	March 2028	-	551,724	44,664	-
Citibank N.A. (b)	100,000	March 2028	1.50	399,800	44,980	-
Citibank N.A. (b)	50,000	March 2028	1.50	199,900	22,282	-
Citibank N.A. (b)	24,000	March 2028	1.04	95,952	6,758	-
Total					224,801	112,273

- (a) In March 2021, InRetail Pharma settled the Call Spread early, which maturity was in May 2023 and which hedged the issuance of senior notes by InRetail Pharma up to a value of US\$400,000,000 (see note 15(d)). The early settlement of the derivative included the settlement of the liability created by the financing received from Citibank N.A. for the acquisition of the derivative; as of December 31, 2020, the value of said liability amounted to around US\$9,874,000 (equivalent to around S/35,785,000) (see note 15). As a result of this transaction, a total net expense of S/70,141,000 was generated, which is presented as "Financial expenses from the early settlement of Call Spread" in the consolidated income statement; see note 20.

Notes to the combined financial statements

- (b) In March 2021, InRetail Perú corp. through its Subsidiaries, InRetail Pharma S.A., Supermercados Peruanos S.A. and InRetail Consumer (Special Purpose Entity), decided to carry out three hedging operations for US\$288,000,000, US\$288,000,000 and US\$24,000,000, respectively, through three Call Spreads of foreign currency for the financial obligations of the “Senior Secured Notes”, which were issued in March 2021, and the intercompany loans related to the issue.

On September 16 and 17, 2021, InRetail Pharma S.A. and Supermercados Peruanos S.A. decided to replace each US\$150,000,000 of its Call Spread with two Range Principal Only Swaps of US\$100,000,000 and US\$50,000,000, on the issuance of their Senior Notes Unsecured, which fixed the exchange of currency at the exchange rate of S/4.1045 and S/4.1100 per US\$1.00 and that protects variations the exchange rate between S/3.70 and S/6.00 per US\$1.00, which for the purposes of IFRS 9, qualifies as an effective hedging instrument.

This substitution of the “Call Spread” for the “Range Only Principal Swaps” allows the hedging objective to be met, therefore, the time value of the instrument substituted at the date of the transaction of S/99,901,000 will be recognized in results on a straight-line basis until the maturity of the hedge. As a result of this transaction, a total net expense of S/15,630,000 was generated as of December 31, 2021. See Note 20.

The substitution of the derivative financial instrument includes the partial cancellation of the liability held in Supermercados Peruanos S.A. for the financing received from Citibank for the acquisition of the derivative financial instrument.

As of December 31, 2021, the Call Spreads cover US\$300,000,000 of the exposure in foreign currency of the principal of the issues and protects exchange rate variations between S/3.70 and S/4.20 per US\$1.00 and the Range Only Principal Swap US\$300,000,000 of the exposure in foreign currency of the principal of the issues and protects exchange rate variations between S/3.70 and S/6.00 per US\$1.00 (as of December 31, 2020, Call Spread US\$400,000,000). The premium of the Call Spreads of Supermercados Peruanos S.A. and InRetail Consumer S.A. and the premium of the Range Only Principal Swap of Supermercados Peruanos S.A. and InRetail Pharma S.A. were financed in terms equal to those of the issues.

From the date of issue of the “Senior Notes Unsecured” for the purposes of IFRS 9 were classified as effective hedging instruments, see note 15 (b).

Notes to the combined financial statements

10. Property, furniture and equipment, net

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

	As of December 31, 2021	As of December 31, 2020
	S/(000)	S/(000)
Cost		
Initial balance	5,601,952	4,659,456
Acquisition of subsidiary	1,015	816,587
Additions (b)	530,326	216,247
Disposals and/or sales (c)	(62,025)	(91,284)
Disposal of subsidiary	(54,834)	(4,145)
Transfer to intangible assets, Note 12 (a)	-	(271)
Transfer from investment properties, Note 11 (a)	39,328	47
Foreign currency translation	7,411	5,315
Final balance	6,063,173	5,601,952
Accumulated depreciation		
Initial balance	1,760,096	1,489,739
Acquisition of subsidiary	198	123,995
Additions, Note 19 (a)	265,222	216,661
Disposals and/or sales	(53,176)	(70,971)
Disposal of subsidiary	(44,010)	(3,336)
Foreign currency translation	6,026	4,008
Final balance	1,934,356	1,760,096
Net book value	4,128,817	3,841,856

- (b) Correspond mainly to the construction and equipment for the new premises of Supermercados Peruanos S.A. and the InRetail Pharma 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.
- (d) As of December 31, 2021, the cost and corresponding accumulated depreciation of assets acquired through finance leases was approximately S/756,985,000 and S/312,679,000 respectively (S/542,875,000 and S/145,970,000 respectively, as of December 31, 2020).
- (e) The Companies maintain insurance policies on their main assets in accordance with policies established by Management.
- (f) Depreciation expense for the twelve-month period ended December 31, 2021 and 2020, was recorded as follows in the income statement:

	2021	2020
	S/(000)	S/(000)
Cost of sales, Note 19 (a)	4,093	6,187
Sales expenses, Note 19 (a)	245,055	197,654
Administrative expenses, Note 19 (a)	16,074	12,820
Balance as of December 31	265,222	216,661

Notes to the combined financial statements

11. Investment properties

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

	As of December 31, 2021 S/. (000)	As of December 31, 2020 S/. (000)
Balance at the beginning of the year	282,245	289,990
Additions	2,009	7,760
Transfer to property, furniture and equipment, Note 10 (a)	(39,328)	(47)
Loss on valuation	(3,294)	(15,458)
Total	241,632	282,245

(b) As of December 31, 2021, investment properties include eleven properties located in Lima, Moquegua, Tacna, Puno, Tumbes and Tarapoto held to earn income.

(c) As of December 31, 2021 and December 31, 2020, 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:

	As of December 31, 2021 S/(000)	As of December 31, 2020 S/(000)
Cost		
Initial balance	1,548,357	1,395,796
Acquisition of subsidiary	21,547	116,239
Additions	222,325	39,312
Disposal and/or sales	(1,653)	(3,091)
Disposal of subsidiaries	(8,499)	(525)
Transfer from property, furniture and equipment	-	271
Foreign currency translation	590	355
Final balance	1,782,667	1,548,357
Accumulated amortization		
Initial balance	357,730	232,154
Acquisition of subsidiary	2,281	54,212
Additions, Note 19 (a)	137,607	72,278
Disposals and/or sales	(1,620)	(698)
Disposal of subsidiaries	(1,592)	(525)
Foreign currency translation	544	309
Final balance	494,950	357,730
Goodwill		
Initial balance	2,722,074	1,982,106
Additions (d)	53,513	739,968
Adjustment for purchase price allocation	(111,389)	-
Final balance	2,664,198	2,722,074
Net, book value	3,951,915	3,912,701

Notes to the combined financial statements

- (b) As of December 31, 2021 and December 31, 2020, this caption mainly includes approximately S/373,054,000 corresponding to the Inkafarma brand, S/395,355,000 to the Mifarma brand, S/205,500,000 to the Makro brand, S/17,791,000 to the Química Suiza brand, S/15,911,000 to the Ninet brand and S/1,504,000 to other brands.

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

- (c) As of December 31, 2021 and December 31, 2020, additions mainly correspond to: (i) disbursements for the acquisition of a commercial software program, a general planning system (ERP) and related licenses; (ii) disbursements for implementation of softwares and licenses in new stores of InRetail Consumer Group and (iii) recognition of trademarks and other intangibles from the acquisition of the Quicorp Group, see Note 1 (b).
- (d) As of December 31, 2021, this caption mainly includes the goodwill, as a result of the acquisition of the Quicorp Group S/1,272,634,000, InRetail Pharma DS.A. S/709,472,000, Makro Supermayorista S.A. S/628,578,000, Agora Servicios Digitales S.A.C. and InDigital XP S.A.C. S/53,513,000. See Note 1(b).

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

- (e) Amortization expense for the twelve-month period ended December 31, 2021 and 2020, was recorded as follows in the income statement:

	2021 S/(000)	2020 S/(000)
Cost of Sales, Note 16 (a)	78	419
Sales expenses, Note 16 (a)	118,027	56,902
Administrative expenses, Note 16 (a)	19,502	14,957
Balance as of December 31	137,607	72,278

13. Trade payables

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

	As of December 31, 2021 S/(000)	As of December 31, 2020 S/(000)
Bills payable for purchase of goods	3,357,975	2,903,428
Bills payable for commercial services	388,962	247,873
Provision for services and maintenance	99,250	97,560
Total	3,846,187	3,248,861

- (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 accrue any interest. There have been no liens granted on these obligations.

Notes to the combined financial statements

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.

14. Leases

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

There are several leases that include extension and termination options and variable payments. The companies and its Subsidiaries have also entered into certain leases of premises with terms of 12 months or less and leases of low-value office equipment. The Companies and its Subsidiaries apply the short-term and low-value lease exemptions for these kind of leases.

- (b) The movement of this caption for the twelve-month period ended as of December 31, 2021 and December 31, 2020, is as follows:

	Land S/(000)	Buildings, infrastructure and facilities S/(000)	Vehicles S/(000)	As of December 31, 2021 S/(000)	As of December 31, 2020 S/(000)
Cost					
Initial balance	3,511	2,165,631	3,092	2,172,234	1,875,377
Acquisition of subsidiary	-	-	-	-	27,873
Additions	-	312,419	969	313,388	298,978
Cancellation of contract (i)	-	(229,613)	(465)	(230,078)	(29,064)
Disposal of subsidiaries	-	(25,459)	(109)	(25,568)	(3,271)
Foreign currency translation	-	4,780	264	5,044	2,341
Final balance	3,511	2,227,758	3,751	2,235,020	2,172,234
Accumulated depreciation					
Initial balance	120	625,576	733	626,429	316,396
Acquisition of subsidiary	-	-	-	-	3,989
Additions, Note 19 (a)	57	341,345	977	342,379	317,935
Cancellation of contract (i)	-	(222,283)	(378)	(222,661)	(10,702)
Disposal of subsidiaries	-	(8,500)	(52)	(8,552)	(2,380)
Foreign currency translation	-	1,837	113	1,950	1,191
Final balance	177	737,975	1,393	739,545	626,429
Net book value	3,334	1,489,783	2,358	1,495,475	1,545,805

- (i) Corresponds mainly to the derecognition of expired contracts, amounting to S/213,148,000 as of December 31, 2021.

Notes to the combined financial statements

Depreciation expense for the twelve-month period ended December 31, 2021 and 2020, was recorded as follows in the combined income statement:

	2021	2020
	S/(000)	S/(000)
Cost of sales, Note 19 (a)	2,837	4,801
Sales expenses, Note 19 (a)	331,124	306,576
Administrative expenses, Note 19 (a)	8,418	6,558
Balance as of December 31	342,379	317,935

(c) The movement of the lease liability caption, as of December 31, 2021 and December 31, 2020, is as follows:

	As of December 31, 2021	As of December 31, 2020
	S/(000)	S/(000)
Initial balance	1,646,870	1,532,492
Acquisition of subsidiary	-	26,404
Additions	308,594	298,978
Increase for accrued interest, Note 20	121,815	112,764
Amortization	(441,933)	(391,879)
Cancellation of contract	-	(890)
Disposal	(7,507)	(18,877)
Disposal of subsidiaries	(20,254)	-
Payments made at the beginning of the contract	-	(437)
Prepaid rent	(2,949)	(5,569)
Exchange rate	101,226	92,580
Foreign currency translation	3,132	1,304
Final balance	1,708,994	1,646,870
Current	263,494	229,726
Non-current	1,445,500	1,417,144
Total	1,708,994	1,646,870

Additionally, in the twelve-month period ended as of December 31, 2021 and 2020, interest related to the lease liability of S/121,815,000 and S/112,764,000 respectively has been accrued.

Notes to the combined financial statements

15. 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)	S/(000)	2021	2020	2021	2020	2021	2020	
				S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)		
Notes Senior Unsecured													
Senior Secured Notes (b)	PEN	4.900	2028	-	-	555,000	549,151	-	-	-	-	549,151	-
Senior Secured Notes (b)	USD	3.250	2028	600,000	-	-	2,251,385	-	-	-	-	2,251,385	-
Senior Notes Unsecured (d)	PEN	6.438	2025	-	-	385,800	384,413	384,041	-	-	-	384,413	384,041
Senior Notes Unsecured (d)	USD	5.375	2023	400,000	-	-	-	1,436,872	-	-	-	-	1,436,872
				1,000,000	-	940,800	3,184,949	1,820,913	-	-	-	3,184,949	1,820,913
Leasing													
Related entities													
Banco Internacional del Perú-Interbank	PEN	3.990	2026	-	-	198,037	101,595	101,275	-	-	-	101,595	101,275
Non-related entities													
Banco de Crédito del Perú	PEN	7.250	2022	-	-	13,596	-	317	-	317	-	-	-
Banco Interamericano de Finanzas	PEN	7.500	2021	-	-	13,596	-	1,001	-	1,001	-	-	-
Banco Interamericano de Finanzas	PEN	7.250	2022	-	-	24,915	5,966	14,556	5,966	8,590	-	-	5,966
Banco Continental	PEN	4.950	2024	-	-	18,150	8,414	12,007	3,771	3,593	4,643	-	8,414
Banco de Crédito del Perú	PEN	5.620	2026	-	-	13,425	11,928	13,424	3,119	3,039	8,809	-	10,385
Banco de Crédito del Perú	PEN	5.050	2026	-	-	18,767	16,493	18,767	4,741	4,620	11,752	-	14,147
Banco Santander del Perú	PEN	Between 6.920 and 7.650	2022	-	-	1,419	267	644	267	378	-	-	266
Banco Continental	PEN	4.950	2021	-	-	129	-	19	-	19	-	-	-
				-	-	302,034	144,663	162,010	17,864	21,557	-	126,799	140,453

Notes to the combined financial statements

Type of obligation	Original currency	Interest rate %	Final maturity	Original amount		Total		Current		Non-current		
				US\$ (000)	S (000)	S/(000)	2021	2020	2021	2020	2021	2020
							S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Loans (h)												
Related entities												
Banco Internacional del Perú-Interbank	PEN	3.990	2026	-	-	198,037	195,837	196,923	-	-	195,837	196,923
Banco Internacional del Perú-Interbank	PEN	0.370	2022	-	-	17,900	17,900	-	17,900	-	-	-
Banco Internacional del Perú-Interbank (g)	PEN	3.750	2026	-	-	220,000	218,109	-	-	-	218,109	-
Banco Internacional del Perú-Interbank	PEN	0.400	2021	-	-	35,000	-	35,000	-	35,000	-	-
Banco Internacional del Perú-Interbank (g)	PEN	4.700	2021	-	-	161,950	-	103,363	-	22,970	-	80,393
Non-related entities												
Banco Scotiabank (e)	PEN	3.990 y 4.450	2025 - 2026	-	-	801,000	626,417	764,164	38,572	109,272	587,845	654,892
Banco de Crédito del Perú	PEN	2.070	2022	-	-	25,000	25,000	-	25,000	-	-	-
Banco Continental	PEN	4.150	2026	-	-	220,000	215,532	119,103	21,251	3,000	194,281	116,103
Banco Scotiabank (f)	PEN	3.750	2026	-	-	330,000	327,166	-	-	-	327,166	-
Banco Scotiabank (f)	PEN	4.700	2025	-	-	161,950	-	103,380	-	22,973	-	80,407
Banco de Crédito del Perú	PEN	0.820	2021	-	-	45,000	-	45,000	-	45,000	-	-
Banco de Crédito del Perú	PEN	1.070	2021	-	-	8,000	-	8,000	-	8,000	-	-
Banco Scotiabank	PEN	1.180	2021	-	-	21,000	-	21,000	-	21,000	-	-
Banco Scotiabank	PEN	1.280	2022	-	-	15,000	15,000	-	15,000	-	-	-
Banco Scotiabank	PEN	1.980	2022	-	-	15,000	15,000	-	15,000	-	-	-
Banco Scotiabank	PEN	0.600	2022	-	-	21,000	21,000	-	21,000	-	-	-
Banco de Crédito del Perú	PEN	3.090	2022	-	-	30,000	30,000	-	30,000	-	-	-
Banco de Crédito del Perú	PEN	1.170	2022	-	-	20,000	20,000	-	20,000	-	-	-
Banco Continental	PEN	0.028	2022	-	-	40,000	40,000	-	40,000	-	-	-
Banco de Crédito del Perú	PEN	1.980	2022	-	-	60,000	60,000	-	60,000	-	-	-
Banco Scotiabank	PEN	0.031	2022	-	-	30,000	30,000	-	30,000	-	-	-
Banco Scotiabank	PEN	0.030	2022	-	-	40,000	40,000	-	40,000	-	-	-
Banco Continental	PEN	3.060	2022	-	-	40,000	40,000	-	40,000	-	-	-
Banco de Crédito del Perú	PEN	Between 0.590 and 1.980	2021-2022	-	-	30,000	-	-	-	-	-	-
Banco Citibank	USD	5.000	2022	10,000	-	-	16,660	30,203	16,660	10,068	-	20,135
Banco Pichincha	USD	7.500	2021	300	-	-	-	1,087	-	1,087	-	-
BBVA Banco Continental	COP	6.100	2021	-	89,968	-	-	94	-	94	-	-
Banco Continental	COP	6.030	2023	-	2,900,000	-	-	3,061	-	1,052	-	2,009
				10,300	2,989,968	2,636,837	1,953,621	1,430,378	430,383	279,516	1,523,238	1,150,862
Foreign loan												
J.P. Morgan Chase Bank N.A. (c)	USD	1.438	2021	375,000	-	-	-	1,344,679	-	1,344,679	-	-
				375,000	-	-	-	1,344,679	-	1,344,679	-	-
Call spreads and Range Only Principal Swaps financing, Note 9												
Citibank N.A.	USD	3.176	2028	8,374	-	-	33,478	-	4,714	-	28,764	-
Citibank N.A.	PEN	Between 8.442 and 8.665	2028	-	-	88,076	83,455	-	10,152	-	73,303	-
Citibank N.A.	USD	3.176	2028	1,555	-	-	5,822	-	820	-	5,002	-
Citibank N.A.	USD	6.473	2023	18,297	-	-	-	35,785	-	15,977	-	19,808
Citibank N.A.	PEN	Between 8.442 and 8.665	2028	-	-	48,931	46,280	-	5,556	-	40,724	-
				28,226	-	137,007	169,035	35,785	21,242	15,977	147,793	19,808
Other obligations to third parties (i)												
Hewlett Packard S.A.	USD	5.564	2026	6,031	-	-	11,458	10,506	5,359	4,635	6,099	5,871
Hewlett Packard S.A.	USD	Between 2.850 and 4.036	2026	11,327	-	-	27,348	16,316	7,521	6,253	19,827	10,063
				23,389	-	-	38,806	26,822	12,880	10,888	25,926	15,934
Total				1,436,915	2,989,968	4,016,678	5,491,074	4,820,587	482,369	1,672,617	5,008,705	3,147,970

Notes to the combined financial statements

- (b) In March 2021, InRetail Consumer (Special Purpose Entity) issued Senior Secured Notes for US\$600,000,000 (equivalent to S/2,398,800,000 as of December 31, 2021) and S/555,000,000 in the abroad (Luxembourg) and local market; said obligations were recorded in the consolidated financial statements at amortized cost at an effective annual interest rate of 3.446 and 5.104, respectively, after considering the corresponding initial charges of around US\$6,038,000 (equivalent to around S/24,141,000) and S/5,849,000, respectively.

Additionally, it is presented net of US\$30,000,000 equivalent to S/123,274,000 corresponding to the notes of its own issuance maintained by its subsidiary InRetail Pharma S.A.

The funds obtained from these issuances were mainly used to repay the bridge loan mentioned in note 1 (b). As a result of these issuances, certain obligations and restrictive clauses must be complied with until its maturity and settlement. In the opinion of Management, these clauses do not limit the operations of InRetail Consumer and its subsidiaries and have been complied with as of December 31, 2021.

- (c) In December 2020, InRetail Pharma S.A. received a loan of US\$375,000,000 equivalent to S/1,344,679,000 as of December 31, 2020 (S/1,356,375,000 at the disbursement date) granted by J.P. Morgan Chase Bank N.A. with a one-year maturity and interest at the Libor rate plus a margin. This loan was partially used for the acquisition of Makro Supermayorista S.A. US\$359,619,000. In March 2021, the loan was fully paid.
- (d) In May 2018, InRetail Pharma S.A., issued debt instruments ("Notes") denominated in US Dollars through a private offer to institutional investors under Rule 144 A and Regulation S, for US\$400,000,000 equivalent to S/1,449,600,000 as of December 31, 2020 that accrued an interest of 5.375 percent per annual, with a maturity of 5 years and with semiannual payments of interest and the principal in a single installment upon maturity of the securities. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 5.778 percent, after considering the respective up-front fees that amounted to US\$3,512,000 equivalent to approximately S/12,728,000 as of December 31, 2020. As of December 31, 2020, the balance of this loan is S/1,436,872,000. In March 2021, the Senior Notes Unsecured were pre-paid.

As indicated in note 9 (a), the Call Spread related to these bonds was settled in advance in the month of March 2021.

Also, in May 2018, the Company issued debt instruments ("Notes") denominated in Soles for S/385,800,000 that bear an annual interest rate of 6.4375 percent, maturing in 7 years and with semiannual interest payments and the principal in a single installment upon maturity of the securities. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 6.559 percent, after considering the respective up-front fees that amounted to S/1,387,000 as of December 31, 2021 (S/1,759,000 as of December 31, 2020).

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

Notes to the combined financial statements

In the opinion of Management, these covenants do not limit the operations of the Company and its Subsidiaries and have been complied satisfactorily and are within the agreed limits as of December 31, 2021 and December 31, 2020. Likewise, 100 percent of the "Senior Notes Unsecured" is guaranteed by the shares of InRetail Pharma S.A. and Subsidiaries.

- (e) During 2021, the Company received an additional loan from Scotiabank Perú S.A.A. for S/551,000,000, which accrues a nominal interest of 3.99 percent per annum, maturing in 2026; this loan was acquired mainly to pre-pay existing debts with different financial entities and the balance was used as working capital to open new stores. During 2019 and 2018, the Company received loans from Scotiabank Perú S.A.A. for S/150,000,000 and S/100,000,000, at nominal rate of 4.45 percent per annum and with maturities between 2025 and 2026, respectively. As of December 31, 2021 and December 31, 2020, the outstanding balances are represented net of their structuring commission.
- (f) In July 2018, InRetail Pharma S.A. received a loan from Scotiabank Peru S.A.A. of S/161,950,000 that accrues a nominal annual interest of 4.70 percent, due in April 2025, payable in quarterly installments. Said loan is recorded at amortized cost at an effective rate of 4.775 percent, after considering the initial charges of S/731,000 as of December 31, 2020.

InRetail Pharma S.A. amortized the debt for the amount of S/57,839,000 as of December 31, 2020. In March 2021, the loan was fully paid.

In March 2021, the company obtained a loan for S/330,000,000 that accrues an annual nominal interest of 3.750 percent maturing in March 2026, payable in quarterly installments. Said loan is recorded at its amortized cost at an effective annual rate of 4.031 percent, after considering the additional charges of S/2,834,000 as of December 31, 2021.

- (g) In July 2018, InRetail Pharma S.A. received a loan from Banco Internacional del Perú Interbank of S/161,950,000 that accrues a nominal annual interest of 4.70 percent, due in April 2025, payable in quarterly installments. Said loan is recorded at amortized cost at an effective rate of 4.775 percent, after considering the initial charges of S/748,000 as of December 31, 2020.

InRetail Pharma S.A. amortized the debt for the amount of S/57,839,000 as of December 31, 2020. In March 2021, the loan was fully paid.

In March, 2021, the company obtained a loan for S/220,000,000 that accrues an annual nominal interest of 3.750 percent maturing in March 2026, payable in quarterly installments. Said loan is recorded at its amortized cost at an effective annual rate of 4.031 percent, after considering the additional charges of S/1,891,000 as of December 31, 2021.

Notes to the combined financial statements

- (h) 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.
- (i) Corresponds to the debt that Supermercados Peruanos S.A. and InRetail Pharma S.A. incurred with Hewlett Packard S.A. to purchase computer equipment. Said contracts do not have any specific guarantee.
- (j) Debts and interest – bearing loans payable are as follows:

	As of December 31, 2021	As of December 31, 2020
	S/(000)	S/(000)
2021	-	1,672,617
2022	482,369	381,469
2023	117,848	1,640,494
2024	118,149	602,412
2025	768,786	506,109
2026 onwards	4,003,922	17,486
Total	5,491,074	4,820,587

- (k) During the twelve-months period ended December 31, 2021 and 2020, loans and borrowings accrued interests which are recorded in the “Financial expenses” caption of the combined income statement, see Note 20. Also, as of December 31, 2021 and December 31, 2020, there are interest payable which are recorded in the “Other payables” caption of the combined statements of financial position.

Notes to the combined financial statements

16. Income tax

- (a) The amounts presented in the combined statement of financial position as of December 31, 2021 and December 31, 2020, as well as the combined statements of comprehensive income for the twelve - month periods ended December 31, 2021 and 2020 are shown below:

Statements of financial position	As of December 31, 2021		As of December 31, 2020	
	Assets	Liabilities	Assets	Liabilities
	S/(000)	S/(000)	S/(000)	S/(000)
InRetail Pharma S.A.	30,889	-	25,882	-
Eckerd Amazonia S.A.C.	-	-	861	-
Boticas del Oriente S.A.C.	-	-	673	-
Química Suiza S.A.C.	-	47,065	-	48,915
Cifarma S.A.C.	-	-	852	-
Vanttive S.A.C.	44	-	46	-
Droguería InRetail Pharma S.A.C.	2,780	-	1,793	-
Quicorp S.A.	20	-	931	-
Quifatex S.A.	8,740	-	8,201	-
Vanttive Cía Ltda.	128	-	101	-
Farmacías Peruanas S.A.C.	4,668	-	136	-
Quimiza Ltda.	927	-	766	-
Química Suiza S.A. S.A.S. (formerly Quideca S.A.)	-	-	766	-
Mifarma S.A.C.	42,858	-	26,337	-
Albis S.A.C.	-	-	16,047	-
Boticas IP S.A.C.	18,501	-	-	-
Jorsa de la Selva S.A.C.	2,785	-	1,495	-
Operadora de Servicios Logísticos S.A.C.	1,172	-	-	-
Supermercados Peruanos S.A.	-	1,510	-	47,262
Plaza Veá Oriente S.A.C.	4,884	-	3,758	-
Makro Supermayorista S.A.	-	17,595	-	11,713
Agora Servicios Digitales S.A.C. (formerly InDigital S.A.C.)	804	-	-	-
InDigital XP S.A.C. (formerly IR Digital S.A.C.)	153	-	-	-
Combination adjustment	(1,864)	345,166	(642)	343,389
Total	117,489	411,336	88,003	451,279

Statements of comprehensive income	Income tax for the twelve-month periods ended	
	December 31, 2021 and 2020	
	2021	2020
	S/(000)	S/(000)
Current	(306,690)	(295,115)
Deferred	89,106	91,284
Income tax expense	(217,584)	(203,831)

- (b) As of December 31, 2021 the of provision for current income tax payable, amounts to approximately S/14,586,000 (S/73,682,000 as of December 31, 2020).

Notes to the combined financial statements

17. Equity

(a) Capital stock

Company	N° issued common shares		Nominal value	Accounting balance of issued capital	
	As of December 31, 2021	As of December 31, 2020		As of December 31, 2021	As of December 31, 2020
	S/. (000)	S/. (000)	S/. (000)	S/. (000)	
Supermercados Peruanos S.A. and Subsidiaries (*)	330,428,609	330,428,609	1.05	346,950	346,950
InRetail Pharma S.A. and Subsidiaries	13,783,379	13,783,379	1.00	13,784	13,784

(*) As of December 31, 2021 and 2020, 40,417,207 common shares were pending to be regularized; corresponding to cash contributions made during 2014 and 2013, and which were made on par, thus generating a share-issued gain totaling S/327,429,000. During 2019, 10,149,713 shares were issued, at a value of S/1.05 per share, with 40,417,207 shares pending to be regularized.

(b) Additional paid-in capital: As of December 31, 2021 and December 31, 2020, the “Additional paid-in capital” caption includes the net effect of the adjustments related to the acquisition of InRetail Pharma 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, 2018, 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) Dividends

During 2021 and 2020, it was agreed to distribute dividends of S/692,573,000 and S/277,176,000, respectively.

Notes to the combined financial statements

18. Tax Situation

- (a) The Companies domiciled in Peru, Ecuador, Bolivia and Colombia are subject to the tax regime of each country and calculate the income tax based on their individual financial statements. As of December 31, 2021 and December 31, 2020, the income tax rate is:

Country	%
Perú	29.5
Ecuador	25.0
Bolivia	25.0
Colombia	31.0

- (b) 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.
- (c) 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; 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.
- (d) For purposes of determining the Income Tax, transfer pricing of transactions with related companies and companies domiciled in territories with low or no taxation must be supported with documentation and information on assessment methods applied and criteria considered. Based on the analysis of the operations of the Group, Management and its legal advisors consider that as a consequence of the application of the regulation in force, there will not be any significant contingencies for the Companies as of December 31, 2021 and December 31, 2020.
- (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 was submitted.

Notes to the combined financial statements

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

	Income Tax	Value added tax
Supermercados Peruanos S.A.	From 2016 to 2021	From 2017 to 2021
Plaza Veá Oriente S.A.C.	From 2018 to 2021	From 2018 to 2021
Plaza Veá Sur S.A.C.	From 2016 to 2020	From 2017 to 2020
Desarrolladora de Strip Center S.A.C.	From 2016 to 2021	From 2017 to 2021
InRetail Pharma S.A.	2016, 2017 and from 2019 to 2021	From 2017 to 2021
Eckerd Amazonía S.A.C.	From 2016 to 2021	From 2017 to 2021
Boticas del Oriente S.A.C.	From 2016 to 2021	From 2017 to 2021
Quicorp S.A.	From 2016 to 2021	From 2017 to 2021
Química Suiza S.A.C.	From 2017 to 2021	From 2017 to 2021
Mifarma S.A.C.	From 2017 to 2021	From 2017 to 2021
Albis S.A.C.	From 2016 to 2021	From 2017 to 2021
Jorsa de la Selva S.A.C.	From 2016 to 2021	From 2017 to 2021
Vanttive S.A.C.	From 2016 to 2021	From 2017 to 2021
Superfarma Mayorista S.A.C.	From 2016 to 2018	From 2017 to 2018
Quimiza Ltda. (Bolivia)	From 2015 to 2020	From 2016 to 2021
Quifatex S.A. (Ecuador)	From 2019 to 2021	From 2019 to 2021
Vanttive Cía. Ltda (Ecuador)	From 2017 to 2021	From 2017 to 2021
Farmacias Peruanas S.A.	From 2017 to 2018	From 2017 to 2018
Boticas Torres de Limatambo S.A.C	From 2017 to 2018	From 2017 to 2018
Droguería La Victoria S.A.C.	From 2016 to 2018	From 2017 to 2018
Química Suiza Comercial S.A.C.	From 2016 to 2018	From 2017 to 2018
Farmacias Peruanas S.A.C.	from 2020 to 2021	From 2020 to 2021
Droguería InRetail Pharma S.A.C.	From 2019 to 2021	From 2019 to 2021
Makro Supermayorista S.A.	From 2016 to 2021	From 2017 to 2021
InRetail Foods S.A.C.	2020	From 2020 to 2021
Operadora de Servicios Logísticos S.A.C.	2021	2021
FP Servicios Generales S.A.C.	2021	2021
Boticas IP S.A.C.	2021	2021
Agoras Servicios Digitales S.A.C. (formerly InDigital S.A.C.)	From 2019 to 2021	From 2019 to 2021
InDigital XP S.A.C. (formerly IR Digital S.A.C.)	From 2029 to 2021	From 2029 to 2021

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 December 31, 2021 and December 31, 2020.

Notes to the combined financial statements

- (f) As of December 31, 2021 and December 31, 2020, estimated losses from previous periods for Subsidiaries for tax purposes are the following:

	2021	2020
	S/ (000)	S/ (000)
Albis S.A.C.	-	39,395
InRetail Pharma S.A.	20,839	-
Quicorp S.A	-	3,155
Total	92,399	66,294

According to what the Income Tax Act and its amendments establish, entities domiciled in Peru have the faculty to choose one of the following methods to draw their tax losses:

- i. The tax loss can be offset with future profits until its final extinction by applying said loss to up to 50 percent of the taxable income; or
- ii. The tax loss can be used for four years after it has been generated.

Albis S.A.C. and Quicorp S.A. have chosen method (i) and InRetail Pharma S.A. method (ii).

Notes to the combined financial statements

19. Operating expenses

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

	2021 S/(000)	2020 S/(000)
Cost of sales	12,730,963	10,086,246
Selling expenses	2,922,797	2,463,595
Administrative expenses	537,895	449,485
Total	16,191,655	12,999,326

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

	2021			
	Cost of sales S/(000)	Selling expenses S/(000)	Administrative expenses S/(000)	Total S/(000)
Initial balance of goods	2,012,314	-	-	2,012,314
Initial balance of raw material, Note 6 (a)	19,552	-	-	19,552
Initial balance of miscellaneous supplies, Note 6 (a)	550	-	-	550
Final balance of finished goods, Note 6 (a)	455	-	-	455
Acquisition of subsidiary	1,957	-	-	1,957
Purchase of goods	12,949,318	-	-	12,949,318
Final balance of goods, Note 6 (a)	(2,321,077)	-	-	(2,321,077)
Final balance of raw material, Note 6 (a)	(879)	-	-	(879)
Final balance of miscellaneous supplies, Note 6 (a)	(874)	-	-	(874)
Impairment of inventories, Note 6 (c)	15,452	-	-	15,452
Factory overhead	4,702	-	-	4,702
Cost of services	42,435	-	-	42,435
Personnel expenses	-	1,081,394	290,965	1,372,359
Depreciation, Note 10 (a)	4,093	245,055	16,074	265,222
Depreciation of right-of uses asset, Note 14 (b)	2,837	331,124	8,418	342,379
Amortization, Note 12 (a)	78	118,027	19,502	137,607
Services provided by third parties (b)	-	523,574	119,148	642,722
Advertising	-	151,178	213	151,391
Packing and packaging	-	33,230	746	33,976
Rental of premises	-	21,112	705	21,817
Low-value asset leases	50	25,916	13,580	39,546
Taxes	-	44,108	26,514	70,622
Provision for doubtful trade receivables, Note 5 (g)	-	8,529	233	8,762
Recovery of doubtful trade receivables, Note 5 (g)	-	(3,766)	(249)	(4,015)
Provision for doubtful other account receivables	-	845	1,501	2,346
Recovery of doubtful other account receivables	-	(708)	-	(708)
Insurance	-	23,662	1,699	25,361
Other charges (c)	-	319,517	38,846	358,363
Total	12,730,963	2,922,797	537,895	16,191,655

Notes to the combined financial statements

	2020			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods,	1,773,215	-	-	1,773,215
Acquisition subsidiary, Note 2	121,621	-	-	121,621
Initial balance of raw material	15,204	-	-	15,204
Initial balance of miscellaneous supplies	1,008	-	-	1,008
Initial balance of finished goods	189	-	-	189
Purchase of goods	10,128,290	-	-	10,128,290
Final balance of goods	(2,012,314)	-	-	(2,012,314)
Final balance of raw material	(19,552)	-	-	(19,552)
Final balance of miscellaneous supplies	(550)	-	-	(550)
Final balance of finished goods	(455)	-	-	(455)
Impairment of inventories	12,862	-	-	12,862
Cost of services	39,363	-	-	39,363
Factory overhead	11,569	-	-	11,569
Personnel expenses	-	943,169	291,686	1,234,855
Depreciation, Note 10 (a)	6,187	197,654	12,820	216,661
Depreciation of right-of-use asset, Note 14 (b)	4,801	306,576	6,558	317,935
Amortization, Note 12 (a)	419	56,902	14,957	72,278
Services provided by third parties (b)	-	418,046	80,089	498,135
Advertising	-	106,728	6	106,734
Packing and packaging	-	30,909	1,017	31,926
Rental of premises	-	34,186	46	34,232
Low-value asset leases	1,151	19,136	9,652	29,939
Taxes	-	36,695	8,647	45,342
Provision for doubtful trade receivables, Note 5 (f)	-	11,803	565	12,368
Recovery of doubtful trade receivables, Note 5 (f)	-	(1,482)	(32)	(1,514)
Recovery of doubtful other account receivables	-	(303)	(89)	(392)
Insurance	-	22,018	1,620	23,638
Other charges (c)	3,238	279,285	21,551	304,074
Total	10,086,246	2,463,595	449,485	12,999,326

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

(c) Mainly include general expenses in stores.

Notes to the combined financial statements

20. Financial income and expenses

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

	2021 S/(000)	2020 S/(000)
Finance income		
Interest and others	9,291	7,675
Dividends	2,035	734
Interest from loans to related parties	533	141
Total	11,859	8,550
Finance cost		
Interest on loans, borrowings and bonds payable	208,982	182,373
Interest on lease liabilities, Note 14 (c)	121,815	112,764
Accrual of the cost of structuring of financial obligations	29,753	8,554
Accrual of the cost of structuring by early settlement of "Senior Notes Unsecured" (d)	11,983	-
Interest on the financing of "Call Spread"	10,613	2,734
Expenses for advanced settlement of "Call Spread" (e)	85,771	-
Premium accrual "Call Spread"	26,279	12,623
Interest on loans to related parties	332	233
Premium for early settlement of bonds (c)	47,530	-
Other financial costs	18,857	16,019
Total	561,915	335,300

- (b) As of December 31, 2021 and December 31, 2020, there are interest payable for these obligations for approximately S/43,783,000 and S/23,542,000, respectively, which are recorded in the "Other payables" caption of the combined statements of financial position.
- (c) As of December 31, 2021, includes the premium corresponding to the early redemption of the "Senior Notes Unsecured" issued by InRetail Pharma in Dollars for US\$12,794,000 equivalent to S/47,530,000.
- (d) As of December 31, 2021, corresponds to the accrual of the structuring costs related to the early redemption of the "Senior Notes Unsecured" issued by InRetail Pharma in Dollars for US\$3,284,000 equivalent to S/11,983,000.
- (e) As of December 31, 2021, it corresponds to the transfer of other comprehensive income to income for the period, related to the early settlement of the "Call Spread". See Note 9(a).

Notes to the combined financial statements

21. Transactions with related parties

- (a) The following table provides the total amount of transactions with related parties for the relevant financial periods ended December 31, 2021 and 2020:

	2021 S/(000)	2020 S/(000)
Income		
Sales	29,197	31,085
Rental income	23,876	21,261
Services income	19,139	4,075
Interest income	533	-
Other	38,944	42,549
Total	111,689	98,970
Expenses		
Renting of premises and land	9,916	9,142
Reimbursement of expenses	23,823	9,770
Commissions	21,506	3,380
Interest	330	233
Others	45,082	46,697
Total	100,657	69,222

- (b) As a result of the transactions with related companies, the Companies recorded the following balances of receivables and payables as of December 31, 2021 and December 31, 2020:

	As of December 31, 2021 S/(000)	As of December 31, 2020 S/(000)
Receivables		
Financiera Oh! S.A.	17,659	29,531
Homecenters Peruanos S.A.	7,920	3,072
Tiendas Peruanas S.A.	7,417	1,845
IR Management S.R.L.	3,286	3,368
Home Centers Oriente S.A.C.	393	1,212
Other	28,114	7,820
Total	65,515	46,848

Notes to the combined financial statements

	As of December 31, 2021	As of December 31, 2020
	S/(000)	S/(000)
Payables		
Interproperties Holding (g)	50,948	50,150
Homecenters Peruanos S.A (g)	44,578	40,228
Financiera Oh! (e)	33,611	18,676
IR Management S.R.L.	7,517	1,832
Tiendas Peruanas S.A	7,072	1,508
Inmobiliaria Milenia S.A.	726	254
Real Plaza S.A.	684	1,045
Intercorp Retail Inc.	114	-
Banco Internacional del Perú S.A.A. – Interbank:		
Guarantee deposit (f)	3,102	3,393
Others	4,883	2,901
Total	153,235	119,987
Remunerations payable to key management	-	-
Total	153,235	119,987
Current portion	61,844	29,439
Non-current portion	91,391	90,548
Total	153,235	119,987

The policy of the InRetail Consumer Group is to make transactions with related companies at terms equivalent to those that prevail in arm's length transactions.

- (c) Outstanding balances at the year-end are unsecured and interest free, except for the financial obligations explained in note 15. There have been no guarantees provided or received for any related party receivables or payables. For the twelve month periods ended December 31, 2021 and 2020, 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) In April 2021, the Company granted a loan to Intercorp Retail Inc. of US\$12,000,000 (equivalent to S/45,096,000 on the date of disbursement) that accrues an annual nominal interest of 1.670 percent and matures in July 2021. In June and September 2021, Intercorp Retail made an amortization of US\$5,000,000 (equivalent to S/19,925,000) and US\$17,000,000 (equivalent to S/28,480,000).

For the twelve months ended December 31, 2021, an interest of S/408,000 was accrued, which was recorded in the caption "Financial income" of the consolidated statement of income.

- (e) In June, 2013, Supermercados Peruanos S.A. and Financiera Oh! S.A., a related entity, signed the "Contract of Issuance and Administration of the "Oh!" credit card". 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 December 31, 2021 and December 31, 2020, Supermercados Peruanos S.A. holds accounts payable to Financiera Oh! S.A. for approximately S/23,817,000 and S/18,222,000 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.

- (f) During 2020, Supermercados Peruanos S.A. renewed the contracts with Banco Internacional del Perú to rent financial modules located within our stores for an amount of S/3,393,000 as of December 31,

Notes to the combined financial statements

2021 and December 31, 2020. As of December 31, 2021 and December 31, 2020, the net present value of the balances related to the guarantee deposits amounted to S/3,102,000 and S/3,393,000, respectively.

- (g) As of December 31, 2021 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/30,639,000 and S/27,432,000, respectively (S/48,570,000 and S/39,124,000 as of December 31, 2020), 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", "Tarapoto" and "Lurin". These agreements have a term of 30 and 60 years, respectively. For this reason it is recognized as a long-term liability.

22. Deferred revenue

The table below presents the components of this caption:

	As of December 31, 2021 S/(000)	As of December 31, 2020 S/(000)
Other operating leases as lessor	21,857	17,513
Loyalty program	13,986	11,162
Other deferred revenue	<u>12,441</u>	<u>10,144</u>
Total	<u>48,284</u>	<u>38,819</u>
Current portion	17,985	13,678
Non-current portion	<u>30,299</u>	<u>25,141</u>
Total	<u>48,284</u>	<u>38,819</u>

In 2009, Supermercados Peruanos S.A. signed a rental agreement with Patrimonio en Fideicomiso D.S. N°093-2002-EF Interproperties Perú, of a property located in Arequipa for a period of 30 years. During the year 2016, the Company received from its related party Patrimonio en Fideicomiso D.S. N°093-2002-EF Interproperties Perú S/15,300,000 as lost profits for the transfer to a third party, of a part of the property leased by the Company. As of December 31, 2021, the balance is S/7,501,000 (S/8,740,000 as of December 31, 2020). During 2021, S/421,000 has been recognized as accrued amount as an income (S/421,000, during 2020).

23. Commitments and contingencies

Commitments:

- (a) As of December 31, 2021, the Company and its Subsidiaries agreed with various financial entities to issue joint and irrevocable surety letters for amounts approximately S/65,088,000, US\$8,281,000, and B\$237,000 (S/63,094,000, US\$6,785,000 and B\$104,000 as of December 31, 2020) and letters of credit for amounts ascending approximately US\$49,681,000 (US\$31,975,000 as of December 31, 2020), for the fulfillment of the payment for the purchase of merchandise from foreign suppliers and commitment to faithful fulfillment of the contract.

Notes to the combined financial statements

- (b) In May 2018 the Company issued debt instruments in the local and abroad markets for S/385,800,000 and US\$400,000,000, respectively, which is guaranteed by the following subsidiaries: Quicorp S.A., Química Suiza S.A.C., Mifarma S.A.C. and Albis S.A.C. In March 2021, the issue of US\$400,000,000 was paid full.

In March 2021, InRetail Consumer (Special Purpose Entity) issued Senior Secured Notes for US\$600,000,000 and S/555,000,000, which are guaranteed by the intercompany loans with Supermercados Peruanos S.A. and InRetail Pharma S.A.

Contingencies:

- (a) InRetail Pharma S.A., Albis S.A.C., Química Suiza S.A.C., Mifarma S.A.C., Jorsa de la Selva S.A.C. and Vanttive S.A.C. maintain various civil, labor and tax legal processes for a total amount of approximately S/54,534,000. In Management's opinion and its legal advisors, such legal processes must be resolved favorably for these components; consequently, it is not necessary to recognize additional related liabilities as of December 31, 2021 and 2020.
- (b) Eckerd Amazonia S.A.C. is in the process to claim against the Tax Authority for determinations of debts and fines related to VAT for the period between January 2003 and June 2005 for approximately S/17,943,000. In Management's opinion and its legal advisors, these contingencies are considered as "Possible" and significant liabilities will not arise as result of these as of December 31, 2021 and 2020. In July 2021, the tax court issued an unfavorable resolution to the Company for which a payment of S/17,943,000 has been made and recognized an expense of S/9,658,0000, the Company will continue with the claim.
- (c) Supermercados Peruanos S.A. maintains labor processes and other processes related to its business operation by approximately S/4,347,000 and S/5,464,000, respectively, classified as "possible".
- (d) Supermercados Peruanos S.A. has been audited for the years 2004 to 2015, 2013 and 2015. As of the date of this report, the Company has challenged these rulings and, in the opinion of Management and its legal advisors, no significant liabilities will arise as a result of these situation, as of December 31, 2021 and December 31, 2020.

24. Business segments

For management purposes, the Companies are organized into business units based on their products and services and they have three reportable segments i) Food Retail, ii) Pharma and iii) Digital. 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 twelve -month periods ended December 31, 2021 and 2020:

	Pharma				Total Pharma S/(000)	Digital S/(000)	Total segments S/(000)	Combination adjustments and intercompany eliminations S/(000)	Combined S/(000)
	Food retail S/(000)	Pharmacies S/(000)	Manufacturing Distribution and Marketing S/(000)	Adjustments and intercompany eliminations S/(000)					
For the twelve-month periods ended December 31, 2021									
Revenue									
External income	9,396,908	5,983,465	2,047,384	-	8,030,849	6,382	17,434,139	-	17,434,139
Inter-segment	12,615	34,707	703,159	(704,227)	33,639	4,950	51,204	(51,204)	-
Total revenue	9,409,523	6,018,172	2,750,543	(704,227)	8,064,488	11,332	17,485,343	(51,204)	17,434,139
Cost of sales	(7,177,277)	(3,837,021)	(1,713,269)	-	(5,550,290)	(3,396)	(12,730,963)	-	(12,730,963)
Inter-segment	-	(29,817)	(698,355)	699,797	(28,375)	(252)	(28,627)	28,627	-
Gross profit	2,232,246	2,151,334	338,919	(4,430)	2,485,823	7,936	4,725,753	(22,577)	4,703,176
Loss on valuation at fair value of investment	(3,294)	-	-	-	-	-	(3,294)	-	(3,294)
Selling expenses	(1,424,435)	(1,222,391)	(175,225)	(96,789)	(1,494,405)	(19,362)	(2,938,202)	15,405	(2,922,797)
Administrative expenses	(225,218)	(230,584)	(72,188)	1,074	(301,698)	(3,598)	(530,514)	(7,381)	(537,895)
Other operating expenses, net	(2,880)	7,722	3,851	(3,959)	7,614	(65)	4,669	(292)	4,377
Operating profit	576,419	706,081	95,357	(104,104)	697,334	(15,089)	1,258,412	(14,845)	1,243,567
Exchange difference, net	(129,617)	(34,228)	5,268	-	(28,960)	142	(158,435)	7,774	(150,661)
Finance income	2,492	216,454	174,234	(382,179)	8,509	-	11,001	858	11,859
Finance costs	(230,629)	(311,234)	(7,398)	492	(318,140)	(162)	(548,931)	(12,984)	(561,915)
Profit before income tax	218,665	577,073	267,461	(485,791)	358,743	(15,109)	562,047	(19,197)	542,850
Income tax expense	(76,561)	(138,221)	(29,912)	30,734	(137,399)	(251)	(214,211)	(3,373)	(217,584)
Profit for the year	142,104	438,852	237,549	(455,057)	221,344	(15,360)	347,836	(22,570)	325,266
Attributable to:									
Owner of the parent	142,104	438,852	237,549	(455,057)	221,344	(15,612)	347,836	(51,329)	296,507
Non-controlling interests	-	-	-	-	-	-	-	28,759	28,759
Profit for the year	142,104	438,852	237,549	(455,057)	221,344	(15,612)	347,836	(22,570)	325,266

Notes to the combined financial statements

	Pharma					Digital S/(000)	Total segments S/(000)	Combination adjustments and intercompany S/(000)	Combined S/(000)
	Food retail S/(000)	Pharmacies S/(000)	Manufacturing Distribution and Marketing S/(000)	Adjustments and intercompany eliminations S/(000)	Total Pharma				
For the twelve-month periods ended December 31, 2020									
Revenue									
External income	6,905,087	5,294,093	1,865,173	-	7,159,266	-	14,064,353	-	14,064,353
Inter-segment	11,696	38,921	659,932	(666,636)	32,217	-	43,913	(43,913)	-
Total revenue	6,916,783	5,333,014	2,525,105	(666,636)	7,191,483	-	14,108,266	(43,913)	14,064,353
Cost of sales	(5,118,789)	(3,415,689)	(1,551,768)	-	(4,967,457)	-	(10,086,246)	-	(10,086,246)
Inter-segment	-	(28,525)	(658,303)	662,040	(24,788)	-	(24,788)	24,788	-
Gross profit	1,797,994	1,888,800	315,034	(4,596)	2,199,238	-	3,997,232	(19,125)	3,978,107
Loss from joint venture	(2,195)	-	-	-	-	-	(2,195)	-	(2,195)
Loss on valuation at fair value of investment	(15,458)	-	-	-	-	-	(15,458)	-	(15,458)
Selling expenses	(1,206,935)	(1,062,312)	(174,375)	(35,085)	(1,271,772)	-	(2,478,707)	15,112	(2,463,595)
Administrative expenses	(160,652)	(214,081)	(75,363)	1,861	(287,583)	-	(448,235)	(1,250)	(449,485)
Other operating expenses, net	(9,452)	9,817	(334)	-	9,483	-	31	(271)	(240)
Operating profit	403,302	622,224	64,962	(37,820)	649,366	-	1,052,668	(5,534)	1,047,134
Exchange difference, net	(75,695)	(43,857)	(652)	-	(44,509)	-	(120,204)	(360)	(120,564)
Finance income	2,816	102,463	94,981	(187,813)	9,631	-	12,447	(3,897)	8,550
Finance costs	(148,442)	(182,529)	(17,219)	9,279	(190,469)	-	(338,911)	3,611	(335,300)
Profit before income tax	181,981	498,301	142,072	(216,354)	424,019	-	606,000	(6,180)	599,820
Income tax expense	(62,418)	(124,193)	(17,153)	(112)	(141,458)	-	(203,876)	45	(203,831)
Profit for the year	119,563	374,108	124,919	(216,466)	282,561	-	402,124	(6,135)	395,989
Attributable to:									
Owner of the parent	119,563	374,108	124,919	(216,466)	282,561	-	402,124	(42,836)	359,288
Non-controlling interests	-	-	-	-	-	-	-	36,701	36,701
Profit for the year	119,563	374,108	124,919	(216,466)	282,561	-	402,124	(6,135)	395,989

Notes to the combined financial statements

Geographic information –

As of December 31, 2021 and December 31, 2020, the operations of all companies are mainly carried out in Peru, their income from foreign clients being not significant, and they do not maintain significant assets located in other countries to that date.

25. 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) Investment at fair value through equity
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 twelve -month periods ended December 31, 2021 and 2020. 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.

26. Subsequent events

- a) The Company's Management and its Subsidiaries continue monitoring the evolution of the situation and the guidance of national and international authorities, since events beyond Management's control may arise that require modifying the established business plan. Further spread of COVID-19 and subsequent measures taken to limit the spread of the disease could affect the ability to conduct business in the normal way and therefore affect financial condition and results of operations.