

**InRetail Pharma S.A. (formerly Eckerd Perú S.A.) and Subsidiaries**

Interim consolidated financial statements as of June 30, 2018  
(non-audited) and December 31, 2017 (audited) and for the six-  
month periods ended June 30, 2018 and 2017

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Interim consolidated financial statements as of June 30, 2018 and December 31, 2017 and for the six-month periods ended June 30, 2018 and 2017.

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## InRetail Pharma S.A. (formerly Eckerd Perú S.A.) and Subsidiaries

### Interim consolidated statements of financial position

As of June 30, 2018 (unaudited) and December 31, 2017 (audited)

|   | Note  | 2018             | 2017           |   | Note  | 2018             | 2017           |
|---|-------|------------------|----------------|---|-------|------------------|----------------|
|   |       | S/(000)          | S/(000)        |   |       | S/(000)          | S/(000)        |
| <b>Assets</b>                             |       |                  |                | <b>Liabilities and equity</b>                                       |       |                  |                |
| <b>Current assets</b>                     |       |                  |                | <b>Current liabilities</b>  |       |                  |                |
| Cash and short-term deposits              | 5     | 350,677          | 44,305         | Trade payables  | 12    | 1,487,722        | 563,643        |
| Trade receivables, net                    | 6     | 550,412          | 28,867         | Other payables  |       | 350,898          | 67,761         |
| Other receivables, net                    |       | 159,732          | 13,587         | Accounts payable to related parties                                 | 19(b) | 878              | 599            |
| Accounts receivables from related parties | 19(b) | 10,857           | 629            | Interest-bearing loans and borrowings                               | 13    | 235,051          | 14,088         |
| Inventories, net                          | 7     | 950,500          | 379,038        | Current income tax  |       | 1,085            | -              |
| Prepayments                               |       | 15,311           | 4,708          | <b>Total current liabilities</b>                                    |       | <b>2,075,634</b> | <b>646,091</b> |
| <b>Total current assets</b>               |       | <b>2,037,489</b> | <b>471,134</b> | <b>Non-current liabilities</b>                                      |       |                  |                |
| <b>Non-current assets</b>                 |       |                  |                | Accounts payable to related parties                                 |       | 16,485           | -              |
| Other receivables, net                    |       | 31,295           | 13,014         | Interest-bearing loans and borrowings                               | 13    | 2,045,999        | 13,213         |
| Accounts receivables from related parties | 19(b) | 9,266            | -              | Reserves for employee retirement pension funds                      |       | 21,313           | -              |
| Available for sale investments            | 8     | -                | 47,092         | Deferred income tax liabilities, net                                | 14(a) | 65,067           | -              |
| Prepayments                               |       | 37,205           | 2,926          | <b>Total non-current liabilities</b>                                |       | <b>2,148,864</b> | <b>13,213</b>  |
| Derivative financial instruments          | 9     | 63,948           | -              | <b>Total liabilities</b>  |       | <b>4,224,498</b> | <b>659,304</b> |
| Property, furniture and equipment, net    | 10    | 658,055          | 209,357        | <b>Equity</b>   |       |                  |                |
| Intangible assets, net                    | 11    | 1,797,487        | 27,307         | Capital stock   | 15(a) | 15,840           | 13,784         |
| Deferred income tax assets, net           | 14(a) | 61,673           | 12,861         | Capital premium   | 15(b) | 482,835          | 3,391          |
| Other assets                              |       | 138              | -              | Other reserves  |       | 2,449            | 2,449          |
| <b>Total non-current assets</b>           |       | <b>2,659,067</b> | <b>312,557</b> | Unrealized results from foreign currency translation                |       | (2,339)          | -              |
| <b>Total assets</b>                       |       | <b>4,696,556</b> | <b>783,691</b> | Unrealized results from valuation of available for sale investments |       | -                | 280            |
|   |       |                  |                | Unrealized results from derivative financial instruments            |       | (250)            | -              |
|   |       |                  |                | Retained earnings   |       | (26,477)         | 104,483        |
|   |       |                  |                | <b>Equity attributable to owners of the parent</b>                  |       | <b>472,058</b>   | <b>124,387</b> |
|   |       |                  |                | <b>Total equity</b>   |       | <b>472,058</b>   | <b>124,387</b> |
|   |       |                  |                | <b>Total liabilities and equity</b>                                 |       | <b>4,696,556</b> | <b>783,691</b> |

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

## InRetail Pharma S.A. (formerly Eckerd Perú S.A.) and Subsidiaries

### Interim consolidated Income statements

For the six-month periods ended June 30, 2018 and 2017

|   | Note  | 2018<br>S/(000)  | 2017<br>S/(000)  |
|---|-------|------------------|------------------|
| Net sales of goods                      |       | 3,062,785        | 1,270,823        |
| Rental income                           |       | 18,394           | 17,991           |
| Rendering of services                   |       | 75,582           | 34,700           |
| <b>Revenue</b>                          |       | <b>3,156,761</b> | <b>1,323,514</b> |
| Cost of sales                           | 17    | (2,262,298)      | (888,458)        |
| <b>Gross profit</b>                     |       | <b>894,463</b>   | <b>435,056</b>   |
| Selling expenses                        | 17    | (606,375)        | (316,709)        |
| Administrative expenses                 | 17    | (148,067)        | (31,923)         |
| Other operating income (expenses)       |       | 21,283           | (2,582)          |
| <b>Operating profit</b>                 |       | <b>161,304</b>   | <b>83,842</b>    |
| Financial income                        |       | 17,592           | 1,645            |
| Financial expenses                      | 18    | (104,977)        | (1,178)          |
| Exchange difference, net                |       | (29,751)         | (1,100)          |
| <b>Profit before income tax</b>         |       | <b>44,168</b>    | <b>83,209</b>    |
| Income tax expense                      | 14(a) | (24,108)         | (26,699)         |
| <b>Net profit</b>                       |       | <b>20,060</b>    | <b>56,510</b>    |
| <b>Earnings per share:</b>              |       |                  |                  |
| Basic and diluted profit for the period | 20    | 1.41             | 4.10             |

All items above are related to continuing operations.

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

**InRetail Pharma S.A. (formerly Eckerd Perú S.A.) and Subsidiaries**

## Interim consolidated statements of comprehensive income

For the six-month periods ended June 30, 2018 and 2017

|   | <b>2018</b>    | <b>2017</b>   |
|---|----------------|---------------|
|   | S/(000)        | S/(000)       |
| <b>Profit for the period</b>  | 20,060         | 56,510        |
| <b>Other comprehensive income</b>   |                |               |
| Unrealized loss on available-for-sale investments                                   | -              | (486)         |
| Transfer of realized loss on available-for-sale investments to result of the period | (397)          |               |
| Income tax effect   | 117            | (40)          |
| <b>Total other comprehensive income from available-for-sale investmets</b>          | <b>(280)</b>   | <b>(526)</b>  |
| Unrealized loss from derivative financial instrument                                | (354)          | -             |
| Income tax effect   | 104            | -             |
| <b>Total comprehensive income from derivative financial instruments</b>             | <b>(250)</b>   | <b>-</b>      |
| Unrealized loss from foreign currency translation                                   | (2,339)        | -             |
| <b>Total comprehensive income from foreign currency translation</b>                 | <b>(2,339)</b> | <b>-</b>      |
| <b>Other comprehensive income for the period, net of income tax effects</b>         | <b>(2,869)</b> | <b>(526)</b>  |
| <b>Total comprehensive income for the period</b>                                    | <b>17,191</b>  | <b>55,984</b> |

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

## InRetail Pharma S.A. (formerly Eckerd Perú S.A.) and Subsidiaries

### Interim consolidated statements of change in equity

For the six-month periods ended June 30, 2018 and 2017

|  | <b>Capital stock</b> | <b>Capital premium</b> | <b>Other reserves</b> | <b>Unrealized results<br/>on derivative<br/>financial<br/>instrument</b> | <b>Unrealized<br/>results on<br/>financial<br/>instruments</b> | <b>Unrealized<br/>results on<br/>foreign currency<br/>translation</b> | <b>Retained<br/>earnings</b> | <b>Total equity</b> |
|--|----------------------|------------------------|-----------------------|--|--|---|------------------------------|---------------------|
|  | S/(000)              | S/(000)                | S/(000)               | S/(000)  | S/(000)  | S/(000)   | S/(000)                      | S/(000)             |
| <b>Balance as of January 1, 2017</b>     | 13,784               | 3,391                  | 2,449                 | -  | 3,133  | -   | 138,003                      | 160,760             |
| Profit for the period                    | -                    | -                      | -                     | -  | -  | -   | 56,510                       | 56,510              |
| Other comprehensive income               | -                    | -                      | -                     | -  | (526)  | -   | -                            | (526)               |
| <b>Total comprehensive income</b>        | -                    | -                      | -                     | -  | <b>(526)</b>   | -   | <b>56,510</b>                | <b>55,984</b>       |
| Dividends                                | -                    | -                      | -                     | -  | -  | -   | (65,000)                     | (65,000)            |
| <b>Balance as of June 30, 2017</b>       | <b>13,784</b>        | <b>3,391</b>           | <b>2,449</b>          | -  | <b>2,607</b>   | -   | <b>129,513</b>               | <b>151,744</b>      |
| <b>Balance as of January 1, 2018</b>     | 13,784               | 3,391                  | 2,449                 | -  | 280  | -   | 104,483                      | 124,387             |
| Profit for the period                    | -                    | -                      | -                     | -  | -  | -   | 20,060                       | 20,060              |
| Other comprehensive income               | -                    | -                      | -                     | (250)  | (280)  | (2,339)   | -                            | (2,869)             |
| <b>Total comprehensive income</b>        | -                    | -                      | -                     | <b>(250)</b>   | <b>(280)</b>   | <b>(2,339)</b>  | <b>20,060</b>                | <b>17,191</b>       |
| Shares Issued for merger of subsidiaries | 2,056                | 479,444                | -                     | -  | -  | -   | -                            | 481,500             |
| Dividends                                | -                    | -                      | -                     | -  | -  | -   | (151,020)                    | (151,020)           |
| <b>Balance as of June 30, 2018</b>       | <b>15,840</b>        | <b>482,835</b>         | <b>2,449</b>          | <b>(250)</b>   | -  | <b>(2,339)</b>  | <b>(26,477)</b>              | <b>472,058</b>      |

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

## InRetail Pharma S.A. (formerly Eckerd Perú S.A.) and Subsidiaries

### Interim consolidated statements of cash flows

For the six-month periods ended June 30, 2018 and 2017

|  | <b>2018</b>        | <b>2017</b>     |
|--|--------------------|-----------------|
|  | S/(000)            | S/(000)         |
| <b>Operating activities</b>  |                    |                 |
| Revenue  | 3,095,299          | 1,303,807       |
| Payment of goods and services to suppliers   | (2,463,927)        | (1,035,501)     |
| Payment of salaries and social benefits to employees                               | (373,922)          | (165,829)       |
| Taxes paid   | (32,090)           | (38,169)        |
| Other collections, net   | 45,983             | 34,209          |
| <b>Net cash flows used in (from) operating activities</b>                          | <b>271,343</b>     | <b>98,517</b>   |
| <b>Investing activities</b>  |                    |                 |
| Sale of available for-sale investments   | 46,812             | -               |
| Purchase of Subsidiary   | (1,871,430)        | -               |
| Purchase of property, furniture and equipment, net of acquisitions through leasing | (10,898)           | (19,376)        |
| Loans granted to related parties   | (1,033,620)        | -               |
| Collection of loans granted to related parties                                     | 1,042,314          | -               |
| Collection of interest on loans granted to related parties                         | 11,624             | -               |
| Purchase and development of intangible assets                                      | (22,251)           | (4,016)         |
| <b>Net cash flows used in investing activities</b>                                 | <b>(1,837,449)</b> | <b>(23,392)</b> |
| <b>Financing activities</b>  |                    |                 |
| Proceeds from interest-bearing loans and borrowings                                | 3,613,586          | 3,330           |
| Proceeds from bond issuances   | 1,660,718          | -               |
| Capital contribution of non-controlling interest                                   | 481,500            | -               |
| Repayment of interest-bearing loans and borrowings                                 | (3,689,423)        | (8,259)         |
| Payment of dividends   | (151,020)          | (65,000)        |
| Interest paid  | (42,883)           | (633)           |
| <b>Net cash flows from (used in) financing activities</b>                          | <b>1,872,478</b>   | <b>(70,562)</b> |
| Net increase (decrease) of cash and short-term deposits                            | 306,372            | 4,563           |
| <b>Cash and short-term deposits at the beginning of the period</b>                 | <b>44,305</b>      | <b>33,412</b>   |
| <b>Cash and short-term deposits at the end of the period</b>                       | <b>350,677</b>     | <b>37,975</b>   |
| <b>Non-cash transactions</b>   |                    |                 |
| Fixed assets purchased through leasing and other financial obligations             | 7,940              | -               |

The accompanying notes are an integral part of these consolidated statements

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

### **InRetail Pharma S.A. (formerly Eckerd Perú S.A.) and Subsidiaries**

#### Notes to the interim condensed consolidated financial statements

As of June 30, 2018 and December 31, 2017 and for the sixmonth period ended June 30, 2018 and 2017

#### **1. Business activity**

InRetail Pharma S.A. (formerly Eckerd Perú S.A. and, hereinafter “the Company”), was incorporated in August 2, 1996. As of June 30, 2018 and December 31, 2017, the Company is a subsidiary of InRetail Peru Corp. which holds 100 percent of the Company’s capital stock. Likewise, InRetail Perú Corp. is a subsidiary of Intercorp Retail Inc., which is one of the entities of the Intercorp Perú Group operating in Peru and abroad.

The Company’s legal address, where its administrative offices operate, is Av. Del Morro N ° 1277, Chorrillos, Lima, Republic of Peru.

The Company and its Subsidiaries Boticas del Oriente S.A.C., Eckerd Amazonia S.A.C. and Quicorp S.A. and Subsidiaries (hereinafter and together “InRetail Pharma Group”) are mainly dedicated to operating pharmacies and to the distribution of pharmaceutical products. The InRetail Pharma Group operations are concentrated in the Andean region, with its core market in Perú.

On December 2017, the Company, incorporated IR Pharma S.A.C. (formerly Chakana Salud S.A.C.), in order to implement various investment projects.

At the General Shareholders' Meeting held on February 27, 2018, it was agreed to change the Company's name of Eckerd Perú S.A. to InRetail Pharma S.A.

At the General Shareholders' Meeting held on April 23, 2018, the merger of the Companies InRetail Pharma S.A. and IR Pharma S.A.C. was approved, with the latter being absorbed. As a result of the merger agreement, the Company increased its equity by approximately S/481,500,000.

The accompanying interim consolidated financial statements as of June 30, 2018 were approved by the Board of Directors on August 15, 2018.

#### **2. Quicorp Group acquisition**

In January 2018, the Company (as the Parent Company) incorporated in January 2018 IR Pharma S.A.C., for the acquisition of 100 percent of Quicorp S.A. and its Subsidiaries (hereinafter and jointly, “Quicorp”): Química Suiza Comercial S.A.C., Química Suiza S.A.C., Cifarma S.A.C., Mifarma S.A.C., Empresa Comercializadora Mifarma S.A., Botica Torres de Limatambo S.A.C., Vantitive S.A.C., Farmacias Peruanas S.A., Drogueria La Victoria S.A.C., Vanttive Cía Ltda., Quifatex S.A., Quimiza Ltda, Quideca S.A., Albis S.A.C., Jorsa de la Selva S.A.C. and Superfarma Mayorista S.A. These entities operate in the manufacturing, distribution and retail segments within the pharmaceutical sector in Peru, Ecuador, Bolivia and Colombia.

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

The purchase price for the acquisition of Quicorp was approximately US\$583,000,000, which was partially funded with a US\$1,000,000 bridge loan at one-year maturity, and at an Libor 1 month plus a spread interest rate. Such bridge loan was obtained by InRetail Pharma S.A. (formerly Eckerd Perú S.A.) from Citibank N.A. and JP Morgan Chase Bank N.A. Likewise, such bridge loan has been partially used for the aforementioned acquisition and, the difference, mainly for the restructuring of several debts obtained by related parties. During the second quarter of 2018 this loan was paid in full.

### 3. Subsidiary activities

The Company and its Subsidiaries (hereinafter the "InRetail Pharma Group") are dedicated to the commercialization, manufacturing, distribution and marketing, to level nationally and internationally, of pharmaceutical products, cosmetics, food for medical use and other foods intended for protection and recovery of health through its "Inkafarma and Mifarma" pharmacy chains. The company and its subsidiaries operate approximately 2,048 stores as of June 30, 2018 (1,057 stores of only Inkafarma as of December 31, 2017) and have operations in Peru, Colombia, Ecuador and Bolivia.

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

- (a) Eckerd Amazonia S.A.C. - was incorporated and started its activities in September 2001. It is dedicated to the commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements aimed for health protection and recovery through its "Inkafarma" pharmacy chain. As of June 30, 2018, operates 52 stores (52 as of December 31, 2017). This Subsidiary's legal address is Ejército Avenue 1283, Loreto, Iquitos, Peru.
- (b) Boticas del Oriente S.A.C. was incorporated and started its activities in December 2007. It is dedicated to the commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements aimed for health protection and recovery through its "Inkafarma" pharmacy chain. As of June 30, 2018, operates 42 stores (44 stores as of December 31, 2016). This Subsidiary's legal address is Ejército Avenue 1283, Loreto, Iquitos, Peru.
- (c) IR Pharma S.A.C. (formerly Chakana Salud S.A.C.), was incorporated in December 2017 only for the acquisition of 100 percent of Quicorp Group. In April 2018, IR Pharma S.A.C. was merged with InRetail Pharma S.A.

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

(d) Quicorp S.A. is a Holding incorporated in the Republic of Peru in September 2010, and maintains 100 per cent of the assets of Química Suiza Comercial S.A.C. which in turn maintains 100 percent of the equity of the following Companies:

i. Química Suiza S.A.C.

It was incorporated in Peru on March 6, 1939 and its registered office is located at Av. República de Panamá N° 2577, La Victoria, Peru.

It is dedicated to the import, representation, and commercialization of pharmaceutical, food, cosmetic, chemical and liquor products nationwide, as well as other consumable products in general. In addition, it receives commissions for acting as broker in the sale of raw materials for foreign suppliers and income from various service provision.

ii. Cifarma S.A.C.

It was incorporated in Peru on July 1, 1992. It is a Subsidiary of Química Suiza S.A., which owns 99.99% of its capital from October, 2010. Up to September 30, 2010, Cifarma S.A. was a Subsidiary of Roxilan S.A., a company incorporated in Switzerland, which owned 71.96% of its capital. The registered office of Cifarma S.A. is located at Carretera Central Km. 3 N° 1315 Santa Anita, Lima, Perú.

It is dedicated to providing services related to manufacturing and packaging of pharmaceutical, cosmetic and chemical products, with Química Suiza S.A. as its main client.

iii. Mifarma S.A.C.

Is a Subsidiary of Química Suiza S.A., which owns 99.99% of its capital. It was incorporated on November 22, 2005. The registered office is located at Calle Víctor Alzamora N° 147, Urb. Santa Catalina, La Victoria.

It is dedicated to wholesale and retail of pharmaceutical, cosmetic, perfumery, toilet, hygiene and personal care and other products for health protection and recovery through its chain of 515 establishments nationwide (515 establishments in 2017).

On April, 30, 2013, Mifarma S.A.C. acquired 98% of shares of Empresa Comercializadora Mifarma S.A. and became a Subsidiary of Mifarma S.A.C. It was incorporated in La Paz, Bolivia on March 12, 2010.

At the General Shareholders' Meeting held on March 15, 2018, the merger of the Company with Mifarma S.A.C. was agreed, in which Mifarma would act as the acquiring company, therefore Farmacias Peruanas S.A. would be extinguished without the need to be dissolved or liquidated.

In the General Shareholders' Meeting of March 31, 2018, it was agreed to reduce the share capital by S/4,818,000 corresponding to the participation of La Fiduciaria S.A. through a payment of S/11,599,128, equivalent to the equity value of its participation.

iv. Empresa Comercializadora Mifarma S.A.

It was incorporated in La Paz, Bolivia on March 12, 2010.

It is dedicated to the import, export, purchase, sale, production, by itself or third parties, and trade of all pharmaceutical and medical products in general belonging to local and foreign companies it represents.

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

v. Botica Torres de Limatambo S.A.C.

It is an indirect Subsidiary of Quimica Suiza S.A. since February 8, 2011, when all shares were transferred. It was incorporated in Lima, Peru on January 9, 1997, starting operations on the same date. Its registered office and administrative offices are located at Calle Victor Alzamora 147, Urb. Santa Catalina, La Victoria.

By means of the merger by absorption agreement effective December 1, 2017, Moviler S.A., Assa Investments S.A., Assa Inversiones S.A., BTL Amazonía S.A.C. and Drogpharma S.A.C. were absorbed by Boticas Torres de Limatambo S.A.C. the latter receiving the universal and block transfer of the entire assets of the absorbed companies which have been extinguished without needing to be dissolved or liquidated, in accordance with the provisions of article 344 (2) of the Companies Act.

Botica Torres de Limatambo S.A.C. is dedicated to the commercialization of pharmaceutical, toilet, personal hygiene and bazaar products in general through its 93 establishments nationwide (102 stores in 2017).

vi. Vanttive S.A.C.

It was incorporated in Peru on July 11, 2012. It is a direct Subsidiary of Quimica Suiza S.A., a company incorporated in Peru, which owns 99.99% of its capital stock as of December 31, 2017. The registered office is located at Av. República de Panamá N°2577, La Victoria, Lima.

It is dedicated to wholesale and retail, storage, distribution, counter sale, and manufacture of health natural and pharmaceutical products, specifically for patients subject to cancer treatment.

Furthermore, it may provide services like medical centers under the category of doctor's office with the purpose of prevention, promotion, diagnosis, medical treatment, and rehabilitation in order to keep people healthy.

vii. Farmacias Peruanas S.A.

It was incorporated on June 9, 1996 and the registered office is located at Calle Víctor Alzamora N° 147, La Victoria, Lima, Perú.

On April 1, 2016, the General Stockholders' Meeting of Quifatex S.A. granted a power of representation in favor of the subsidiary Mifarma S.A.C. to make decisions it deems appropriate related to its majority interests in the General Stockholders' Meeting of the subsidiaries Farmacias Peruanas S.A. (hereinafter "FASA") and Droguería La Victoria S.A.C. (hereinafter "DLV") effective as of April 1, 2016.

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

The power granted by Quifatex S.A. to Mifarma S.A.C. transferred basically the decisions on relevant activities about FASA and DLV management. Besides, such situation did not modify the previous agreement between FASA and Mifarma S.A.C.

The separate financial statements of Quifatex S.A., FASA and DLV will remain without effect due to the loss of control, for this reason, the last two entities will be part of the consolidated financial statements of Mifarma S.A.C.

At the General Shareholders' Meeting held on March 15, 2018, the merger of the Company with Mifarma S.A.C. was agreed, in which Mifarma would act as the acquiring company, therefore Farmacias Peruanas S.A. would be extinguished without the need to be dissolved or liquidated.

viii. Droguería la Victoria S.A.C.

It was incorporated on August 17, 1998 and the registered office is located at Av. Republica de Panamá N° 2577, La Victoria, Lima.

It is dedicated to the import and distribution of dietary and natural pharmaceutical products as well as toilet, perfumery, beauty and other related products.

On April 1, 2016 the General Stockholders' Meeting of Quifatex granted a power of representation in favor of the subsidiary Mifarma S.A.C. to make decisions it deems appropriate related to its majority interests in the General Stockholders' Meetings of the subsidiaries Farmacias Peruanas S.A. (hereinafter "FASA") and Droguería La Victoria S.A.C. (hereinafter "DLV") effective as of April 1, 2016.

At the General Shareholders' Meeting held on March 15, 2018, the merger of the Company with Mifarma S.A.C. was agreed, in which Mifarma would act as the acquiring company, therefore Droguería La Victoria S.A.C. would be extinguished without the need to be dissolved or liquidated.

ix. Quifatex S.A.

It was incorporated on May 26, 1978 in the city of Quito, Ecuador. The registered office is located at Av. 10 de Agosto 10640 y Manuel Zambrano, Quito, Ecuador. It is controlled and supervised by the Superintendencia of Corporations in the Republic of Ecuador.

It is dedicated to the commercialization, distribution, representation, import, and export of pharmaceutical, dietary, chemical, cosmetic, food, veterinary, insecticidal, fertilizing and liquor products, and well as tools and machinery in general.

x. Vanttive Cía. Ltda.

It was incorporated on July 17, 2003 in the city of Quito, Ecuador. The registered office is located at Av. 10 de Agosto 10640 y Manuel Zambrano, Quito, Ecuador. It is controlled and supervised by the Superintendencia of Corporations in the Republic of Ecuador.

It is dedicated to the import, export, commercialization, distribution, and intermediation of specialized pharmaceutical products.

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

- xi. **Quimiza Ltda.**  
It was incorporated on August 26, 1978. It also has distributors in the cities of Tarija, Oruro, and Potosí, as well as a distribution center in Santa Cruz, Bolivia. In addition, it may establish offices, agencies, and branches in other districts of the country. Currently, it has four offices in the cities of Santa Cruz (main office), La Paz, Cochabamba, and Sucre.
- It is dedicated to the manufacture, commercialization, distribution, import, export, and representation of chemical, pharmaceutical, dietary, veterinary, cosmetic, insecticidal and fertilizing products, as well as machinery and equipment for the industry and consumables in general. Currently, it imports and commercializes pharmaceutical, industrial, consumption and veterinary products, expanding its market by signing new representation agreements.
- xii. **Quideca S.A.**  
It was incorporated on March 13, 2006 in Bogota, Colombia and is legally effective up to March 13, 2056.
- It is dedicated to the purchase, sale, commercialization, promotion, distribution, representation, import, and export of health and pharmaceutical products, including vaccines, food, cosmetic, hygiene, personal care and home products. It also trades pesticides, herbicides, insecticides, fertilizers, chemical and agrochemical products, construction additives, tools, and equipment.
- xiii. **Albis S.A.C.**  
Is a private legal entity incorporated in 1998 as a result of the merge of Distribuidora Albis S.A. with Albis Data S.A.
- It is dedicated to the commercialization of pharmaceutical, cosmetic, perfumery, toilet, hygiene and personal care and other products for health protection and recovery, nationwide.
- xiv. **Jorsa de la Selva S.A.C.**  
Is a legal entity, Subsidiary of Albis S.A., mainly dedicated to the commercialization of pharmaceutical, cosmetic, perfumery, toilet, hygiene, personal care and other products for health protection and recovery. The Company's registered office is located at Av. Elías Aguirre 1107, Iquitos, Maynas.
- xv. **Superfarma Mayorista S.A.C.**  
Is a stock corporation incorporated by means of a public instrument dated January 20, 2016 and clarifying public instrument dated February 1, 2016.
- The Company's registered and administrative offices are located at Av. República de Panamá 2537, Urb. Santa Catalina, La Victoria, Lima.

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

### 4. Basis of preparation and presentation

#### (a) Interim financial statements

The consolidated financial statements of the InRetail Pharma Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB), effective as of June 30, 2018 and December 31, 2017, respectively.

The interim financial statements of the InRetail Pharma Group have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the audited annual information.

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

The functional currency of the subsidiaries domiciled in Ecuador, Bolivia and Colombia are the local currency in those countries. These currencies do not belong to hyperinflationary economies. All transactions are measured in the functional currency.

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

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

At the date of this report, all the entities consolidated into the accompanying financial statements are legal subsidiaries of InRetail Pharma S.A.

#### (b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries, see Note 2.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the InRetail Pharma Group obtains control, and continues to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

The non-controlling interests have been determined in proportion to the participation of minority shareholders in the net equity and the results of the subsidiaries in which they hold shares, and they are presented separately in the consolidated statement of financial position and the consolidated statement of comprehensive income.

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

Losses in a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of the subsidiary, without a loss of control, is accounted for as an equity transaction.

The accounting policies followed in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements as of December 31, 2017.

### (c) New accounting standards

The accounting policies adopted in the preparation of the interim condensed combined financial statements are consistent with those followed in the preparation of the Companies annual combined financial statements for the year ended December 31, 2017, except for the adoption of the new standards and interpretations as of January 1, 2018.

The standards and amendments, and improvements to the standards that are issued, but not yet effective up to the date of issuance of the accompanying consolidated financial statements, are disclosed below:

#### (i) IFRS 9 “Financial Instruments” -

In July 2014, the IASB issued the final version of IFRS 9 “Financial Instruments” that replaces IAS 39 “Financial Instruments: Recognition and Measurement” and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on 1 January 2018.

The Company and its Subsidiaries plan to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Company and its Subsidiaries have performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available in 2018 when the Company and its Subsidiaries will adopt IFRS 9.

Overall, the Company and its Subsidiaries expect no significant impact on its consolidated statement of financial position and equity.

#### (ii) IFRS 15 Revenue from Contracts with Customers -

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS, such as IAS 18 “Revenues” and IAS 11 “Construction Contracts”. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company and its Subsidiaries plan to adopt the new standard on the required effective date using the modified retrospective method. During 2017, the Company and its Subsidiaries performed a preliminary assessment of IFRS 15, and they are evaluating the quantitative effects for the adoption of this standard.

The Company and its Subsidiaries are mainly dedicated to the commercialization, to final customers, of pharmaceutical products, cosmetic products, food for medical use and other elements aimed for health protection and recovery through separate identified contracts with customers. Generally, these sales occur when the goods are transferred to the final customers in the stores operated by the Company and its Subsidiaries; additionally, the collection for such sales is usually made by cash or by credit cards.

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

### (a) Sale of goods -

For contracts with customers in which the sale of goods is generally expected to be the only performance obligation, adoption of IFRS 15 is not expected to have any impact on the Company and its Subsidiaries' revenue and profit or loss. The Company and its Subsidiaries expect the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Otherwise, the Company and its Subsidiaries have identified that their only significant variable consideration correspond to some contracts with customers that provide a right of return. According to the current accounting practice, when a contract with a customer provides a right of return in a specific period, the Company and its subsidiaries recognize such right over a historical estimate of returns basis, which is similar to the criteria accepted by IFRS 15. Consequently, income related to the expected returns is adjusted with expenses provisions in the consolidated statements of comprehensive income, when they directly affect the caption "Net sales".

### (b) Presentation and disclosure requirements -

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a change from current practice and increases the volume of disclosures required in the Company and its Subsidiaries' consolidated financial statements. Many of the disclosure requirements in IFRS 15 are new; however, such disclosure requirements have no effect on results and operations. In particular, the Company and its Subsidiaries expect that the notes to the consolidated financial statements will be expanded because of the disclosure of significant judgments made when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling prices.

### (c) Other adjustments -

On adoption of IFRS 15, other items of the consolidated financial statements will be adjusted or reclassified, if necessary.

### (iii) IFRS 16 "Leases" -

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. As of the date of this report, the Company and its Subsidiaries are assessing the possible impact of the application of IFRS 16 on its consolidated financial statements. The Company and its Subsidiaries intend to adopt this standard when it is effective.

### (iv) Other standards, amendments and improvements to the standards –

- IFRS 17 "Insurance Contracts", effective for annual periods beginning on 1 January 2021.
- IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration", effective for annual periods beginning on 1 January 2018.

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

- IFRIC Interpretation 23 “Uncertainty over Income Tax Treatment”, effective for annual periods beginning on 1 January 2019.
- Annual Improvements 2014-2016 Cycle (issued in December 2016), effective for annual periods beginning on 1 January 2018.
- Annual Improvements 2015-2017 Cycle, effective for annual periods beginning on 1 January 2019.
- Amendments to IAS 28 Investments in Associates and Joint Ventures, effective for annual periods beginning on 1 January 2019.
- Amendments to IAS 40 - Transfers of Investment Property, effective for annual periods beginning on 1 January 2018.
- IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2, effective for annual periods beginning on 1 January 2018.
- Amendments to IFRS 4 - Applying IFRS 9 “Financial Instruments” with IFRS 4 “Insurance Contracts”, effective for annual periods beginning on 1 January 2018.
- Amendments to IFRS 9, effective for annual periods beginning on 1 January 2019.
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (deferred indefinitely).
- Amendments to IFRS 15 – Clarification, effective for annual periods beginning on 1 January 2018.

The Company and its Subsidiaries intend to adopt these other standards amendments and improvements to the standards, when they become effective. As of the date of this report, Management has not yet finished the process of diagnosis and evaluation of the adoption effects of these standards in its processes of preparation and report of consolidated financial information, and in the preparation and presentation of its consolidated financial statements, including new disclosure requirements.

### 5. Cash and short-term deposits

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

|                      | <b>As of June 30,<br/>2018</b> | <b>As of December 31,<br/>2017</b> |
|----------------------|--------------------------------|------------------------------------|
|                      | S/(000)                        | S/(000)                            |
| Cash (b)             | 5,336                          | 3,770                              |
| Current accounts (c) | 160,184                        | 26,331                             |
| Time deposits (d)    | 150,773                        | -                                  |
| Cash in transit      | 34,384                         | 14,204                             |
|                      | <hr/>                          | <hr/>                              |
| <b>Total</b>         | <b>350,677</b>                 | <b>44,305</b>                      |
|                      | <hr/>                          | <hr/>                              |

(b) Comprises mainly cash held by subsidiaries in the premises of their store chains and in the vaults of a security company, corresponding to sales during the last days of the period.

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

(c) The company and its subsidiaries maintain current accounts in local banks in the currency of each country and US Dollars which do not accrue interest and they are freely available.

(d) The time deposits are freely available and are kept in local banks in Soles, have maturities up to one month since inception and bear annual interest rates between 1.65 and 2.87 percent in Soles.

### 6. Trade receivables, net

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

|                                     | <b>As of June 30,<br/>2018</b> | <b>As of December 31,<br/>2017</b> |
|-------------------------------------|--------------------------------|------------------------------------|
|                                     | S/(000)                        | S/(000)                            |
| Trade accounts receivable (c)       | 554,411                        | 21,644                             |
| Credit card operators (d)           | 16,493                         | 6,304                              |
| Others                              | 28,091                         | 976                                |
| <b>Total</b>                        | <b>598,995</b>                 | <b>28,924</b>                      |
| Provision for doubtful accounts (e) | (48,583)                       | (57)                               |
| <b>Total</b>                        | <b>550,412</b>                 | <b>28,867</b>                      |

(b) Trade receivables are denominated in the currency of each country and US Dollars, have current maturity and do not bear interest.

(c) Corresponds to accounts receivable from the sale of goods and services to various local and foreign companies.

(d) Corresponds mainly to pending deposits in favor of InRetail Pharma Group for the last days of the month, held by credit card operators and originated from the sale of goods with credit cards in the different stores of InRetail Pharma Group.

(e) Movements in the provision for doubtful accounts receivable for the six-months periods ended June 30, 2018 and 2017, were as follows:

|  | <b>2018</b>   | <b>2017</b> |
|--|---------------|-------------|
|  | S/(000)       | S/(000)     |
| <b>Balance at the beginning of the year</b>  | 57            | 344         |
| Subsidiary acquisition                       | 49,004        | -           |
| Provision recognized as expense, Note 17 (a) | 3,992         | 3           |
| Recoveries, Note 17 (a)                      | (1,869)       | -           |
| Write-offs                                   | (2,843)       | -           |
| Foreign currency variation                   | 176           | -           |
| Others                                       | 66            | -           |
| <b>Balance at the end of the period</b>      | <b>48,583</b> | <b>347</b>  |
| <b>Balance as of December 31, 2017</b>       |               | <b>57</b>   |

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

As of June 30, 2018 and December 31, 2017, the amount of trade receivables past due but not impaired amounted to approximately S/109,169,000 and S/9,417,000, respectively.

In the opinion of Management of the InRetail Pharma Group, the provision for doubtful accounts receivable as of June 30, 2018 and December 31, 2017, appropriately covers the credit risk of this item at those dates.

### 7. Inventories, net

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

|   | <b>As of June 30,<br/>2018</b> | <b>As of December 31,<br/>2017</b> |
|---|--------------------------------|------------------------------------|
|   | S/(000)                        | S/(000)                            |
| Goods, Note 17 (a)                                    | 945,050                        | 378,527                            |
| In transit inventories (b)                            | 24,594                         | 5,261                              |
| Raw material, Note 17 (a)                             | 13,072                         | -                                  |
| Miscellaneous supplies                                | 1,751                          | 1,720                              |
| Miscellaneous supplies for manufacturing, Note 17 (a) | 1,149                          | -                                  |
| Finished goods, Note 17 (a)                           | 1,068                          | -                                  |
| <b>Total</b>  | <b>986,684</b>                 | <b>385,508</b>                     |
| <b>Minus</b>  |                                |                                    |
| Provision for impairment of inventories (c)           | (36,184)                       | (6,470)                            |
| <b>Total</b>  | <b>950,500</b>                 | <b>379,038</b>                     |

(b) Corresponds to goods and miscellaneous supplies imported by the InRetail Pharma Group in order to satisfy customers' demand in its pharmacies.

(c) The movement in the provision for inventory impairment for the six-month periods ended June 30, 2018 and 2017, was as follows:

|   | <b>2018</b>   | <b>2017</b>  |
|---|---------------|--------------|
|   | S/(000)       | S/(000)      |
| <b>Balance at the beginning of the year</b> | 6,470         | 7,921        |
| Subsidiary acquisition                      | 25,197        | -            |
| Provision of the period, Note 17 (a)        | 13,973        | 6,312        |
| Recovery                                    | (2,327)       | -            |
| Write-off                                   | (7,129)       | (7,921)      |
| <b>Balance at the end of the period</b>     | <b>36,184</b> | <b>6,312</b> |
| <b>Balance as of December 31, 2017</b>      |               | <b>6,470</b> |

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

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

### 8. Available-for-sale investment

As of December 31, 2017, available for sale investments corresponded to notes issued by a related company of Intercorp Group of approximately US\$ 14,453,000, equivalent to S/47,092,000, that were sold in the first quarter of 2018. The unrealized loss, net of deferred income tax, of the notes held as of December 31, 2017 amounted to S/280,000 and is presented in the equity.

### 9. Derivative financial instruments

As of June 30, 2018, this item comprises of a principal Call Spread. The Call Spread contract was designated to hedge cash flows and was recorded at its fair value. The detail of this operation is as follows:

| Counterparty  | Nominal<br>value<br>US\$(000) | Due    | Pay fix<br>at<br>% | Book value of<br>the hedged<br>item<br>S/(000) | Fair value<br>2018<br>S/(000) |
|---------------|-------------------------------|--------|--------------------|--|-------------------------------|
| CitiBank N.A. | 400,000                       | May-23 | 1.27               | 1,309,600                                      | 63,948                        |
| <b>Total</b>  |                               |        |                    |  | <b>63,948</b>                 |

In April 2018, InRetail Pharma decided to carry out hedging operations through a Foreign Currency Call Spread for the financial obligations of the "Senior Unsecured Notes", which were issued in May 2018, between the contract date of the Call Spread and the date of issue of the bond. This contract was recorded as a negotiation instrument, recognizing S/2,122,000 in financial expenses, see note 18 (a). From the date of issuance of the "Senior Unsecured Notes, it was classified as an effective hedging instrument " for the purposes of IFRS 9. See Note 13 (b).

As of June 30, 2018, this instrument covers 100 percent of the exposure in foreign currency of the principal amount and protects exchange rate variations between S/3.26 and S/3.75 per US\$1.00. The premium price was financed in installments equal to the issuance .

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

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

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

|  | As of June 30,<br>2018<br>S/(000) | As of December 31,<br>2017<br>S/(000) |
|--|-----------------------------------|---------------------------------------|
| <b>Cost</b>  |                                   |                                       |
| <b>Initial balance</b>                                     | 406,707                           | 389,937                               |
| Subsidiary acquisition, net of depreciation and impairment | 461,966                           | -                                     |
| Additions (b)  | 18,838                            | 30,144                                |
| Disposals and/or sales (c)                                 | (33,161)                          | (13,374)                              |
| Transfer to Intangible assets, Note 11 (a)                 | (352)                             | -                                     |
| Transfer from Investment properties                        | 8,969                             | -                                     |
| Transfer from available -for-sale-assets                   | 4,054                             | -                                     |
| Foreign currency translation                               | (845)                             | -                                     |
| <b>Final balance</b>                                       | <b>866,176</b>                    | <b>406,707</b>                        |
| <b>Accumulated depreciation</b>                            |                                   |                                       |
| <b>Initial balance</b>                                     | 197,350                           | 162,586                               |
| Additions (d)  | 34,785                            | 41,834                                |
| Disposals and/or sales                                     | (22,994)                          | (7,070)                               |
| Transfer from available -for-sale-assets                   | 113                               | -                                     |
| Foreign currency translation                               | (882)                             | -                                     |
| <b>Final balance</b>                                       | <b>208,372</b>                    | <b>197,350</b>                        |
| <b>Impairment</b>  |                                   |                                       |
| <b>Initial balance</b>                                     | -                                 | -                                     |
| Additions  | (235)                             | -                                     |
| Disposals and/or sales                                     | (16)                              | -                                     |
|  | (251)                             | -                                     |
| <b>Net book value</b>                                      | <b>658,055</b>                    | <b>209,357</b>                        |

(b) Additions for the six-month periods ended June 30, 2018 and 2017 correspond mainly to the construction and equipment of new premises for InRetail Pharma Group.

(c) It mainly correspond to assets sold and to the disposals of unusable assets as a result of the process of change of format in some premises and closes of the pharmacies. The resulting income or expense has been included in the "Other operating income" or "Other operating expenses" caption of the consolidated income statement, respectively.

(d) Depreciation expense for the six-month periods ended June 30, 2018 and 2017, was recorded as follows in the income statement:

|  | 2018<br>S/(000) | 2017<br>S/(000) |
|--|-----------------|-----------------|
| Sales expenses, Note 17 (a)            | 29,500          | 17,273          |
| Administrative expenses, Note 17 (a)   | 4,062           | 2,535           |
| Cost of sales, Note 17 (a)             | 1,223           | -               |
| <b>Balance as of June 30</b>           | <b>34,785</b>   | <b>19,808</b>   |
| <b>Balance as of December 31, 2017</b> |                 | <b>41,834</b>   |

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

- (e) As of June 30, 2018 the cost and corresponding accumulated depreciation of assets acquired through finance leases amount to approximately S/131,887,000 and S/68,074,000, respectively (S/85,940,000 and S/45,130,000, respectively, as of December 31, 2017).
- (f) The InRetail Pharma Group maintains insurance policies on their main assets in accordance with the policies established by Management.

### 11. Intangible assets, net

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

|   | As of June 30,<br>2018<br>S/(000) | As of December 31,<br>2017<br>S/(000) |
|---|-----------------------------------|---------------------------------------|
| <b>Cost</b>   |                                   |                                       |
| <b>Initial balance</b>                                  | 53,087                            | 46,796                                |
| Subsidiary acquisition, net of depreciation             | 36,010                            | -                                     |
| Additions (c)   | 22,251                            | 6,415                                 |
| Disposal and/or sales                                   | (11,519)                          | (124)                                 |
| Transfer from property plant and equipment, Note 10 (a) | 352                               | -                                     |
| Foreign currency translation                            | 16                                | -                                     |
| <b>Final balance</b>                                    | <b>100,197</b>                    | <b>53,087</b>                         |
| <b>Accumulated amortization</b>                         |                                   |                                       |
| <b>Initial balance</b>                                  | 25,780                            | 21,289                                |
| Additions (d)   | 5,734                             | 4,518                                 |
| Disposals and/or sales                                  | (11,429)                          | (27)                                  |
| Foreign currency translation                            | 27                                | -                                     |
| <b>Final Balance</b>                                    | <b>20,112</b>                     | <b>25,780</b>                         |
| <b>Goodwill</b>   |                                   |                                       |
| <b>Initial balance</b>                                  | -                                 | -                                     |
| Subsidiary acquisition                                  | 257,205                           | -                                     |
| Additions (b)   | 1,460,197                         | -                                     |
| <b>Final balance</b>                                    | <b>1,717,402</b>                  | -                                     |
| <b>Net, book value</b>                                  | <b>1,797,487</b>                  | <b>27,307</b>                         |

- (b) As of June 30, 2018, this caption mainly includes the goodwill, related to the acquisition of the Quicorp Group. Purchase price for the acquisition of Quicorp was approximately US\$583,000,000 equivalent to S/1,871,430,000, and at the date of acquisition, the net assets of the acquired company amounted to S/411,233,000.

Upon obtaining control, the Group will apply the purchase method established in IFRS 3 "Business Combination" to determine the acquired goodwill. As of June 30, 2018, the Company is in the process of evaluating the allocation exercise of the purchase price and its respective determination of goodwill.

- (c) As of June 30, 2018, mainly includes the brands purchased from the acquisition of the Quicorp Group for S/17,393,000.

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

As of June 30, 2018 and December 31, 2017, it also includes disbursements for the acquisition of a commercial software program, and related licenses; and disbursements for the implementation of software and licenses in new stores of the InRetail Pharma Group. Such disbursements include the acquisition of usage licenses, development costs and other directly attributable costs.

- (d) Amortization expense for the six-month periods ended June 30, 2018 and 2017 has been recorded in the following items of the combined statements:

|  | <b>2018</b><br>S/(000) | <b>2017</b><br>S/(000) |
|--|------------------------|------------------------|
| Sales expenses, Note 17 (a)            | 3,936                  | 1,802                  |
| Administrative expenses, Note 17 (a)   | 1,785                  | 298                    |
| Cost of sales, Note 17 (a)             | 13                     | -                      |
| <b>Balance as of June 30</b>           | <b>5,734</b>           | <b>2,100</b>           |
| <b>Balance as of December 31, 2017</b> |                        | <b>4,518</b>           |

### 12. Trade payables

The table below presents the composition of this caption:

|  | <b>As of June 30,</b><br><b>2018</b><br>S/(000) | <b>As of December 31,</b><br><b>2017</b><br>S/(000) |
|--|---|---|
| Bills payable from purchase of goods   | 1,224,508                                       | 537,100   |
| Bills payable from commercial services | 263,214   | 26,543  |
| <b>Total</b>                           | <b>1,487,722</b>                                | <b>563,643</b>                                      |

This item mainly includes the obligations to non-related local and foreign suppliers, denominated in local currency and US Dollars, originated mainly from the acquisition of goods, with current maturities and that do not bear any interest. There have been no liens granted on these obligations.

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

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

### 13. Interest-bearing loans and borrowings

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

| Type of obligation                     | Original currency | Interest rate %         | Final maturity | Original amount |          |                | Total            |               | Current      |              | Non-current      |              |
|--|-------------------|-------------------------|----------------|-----------------|----------|----------------|------------------|---------------|--------------|--------------|------------------|--------------|
|  |                   |                         |                | US\$ (000)      | \$ (000) | S/(000)        | 2018             | 2017          | 2018         | 2017         | 2018             | 2017         |
|  |                   |                         |                | S/(000)         | S/(000)  | S/(000)        | S/(000)          | S/(000)       | S/(000)      | S/(000)      |                  |              |
| <b>Securitized Notes</b>               |                   |                         |                |                 |          |                |                  |               |              |              |                  |              |
| Securization of future cash flows      | USD               | 8.250                   | 2018           | 15,000          | -        | -              | 3,929            | -             | 3,929        | -            | -                | -            |
|  |                   |                         |                | <b>15,000</b>   | <b>-</b> | <b>-</b>       | <b>3,929</b>     | <b>-</b>      | <b>3,929</b> | <b>-</b>     | <b>-</b>         | <b>-</b>     |
| <b>Senior Unsecured Notes</b>          |                   |                         |                |                 |          |                |                  |               |              |              |                  |              |
| Senior Unsecured Notes                 | PEN               | 6.438                   | 2025           | -               | -        | 385,800        | 383,296          | -             | -            | -            | 383,296          | -            |
| Senior Unsecured Notes                 | USD               | 5.375                   | 2023           | 400,000         | -        | -              | 1,287,704        | -             | -            | -            | 1,287,704        | -            |
|  |                   |                         |                | <b>400,000</b>  | <b>-</b> | <b>385,800</b> | <b>1,671,000</b> | <b>-</b>      | <b>-</b>     | <b>-</b>     | <b>1,671,000</b> | <b>-</b>     |
| <b>Leasings</b>                        |                   |                         |                |                 |          |                |                  |               |              |              |                  |              |
| <b>Related entities</b>                |                   |                         |                |                 |          |                |                  |               |              |              |                  |              |
| Banco Internacional del Perú-Interbank | PEN               | 7.850                   | 2019           | -               | -        | 27,412         | 7,237            | 10,142        | 6,166        | 5,923        | 1,071            | 4,219        |
| <b>Non related entities</b>            |                   |                         |                |                 |          |                |                  |               |              |              |                  |              |
| Banco de Crédito del Perú              | PEN               | Between 5.900 and 6.900 | 2019           | -               | -        | 1,717          | 376              | -             | 376          | -            | -                | -            |
| BBVA Banco Continental                 | PEN               | Between 6.900 and 7.650 | 2018           | -               | -        | 1,078          | 769              | -             | 165          | -            | 604              | -            |
| Banco Interamericano de Finanzas       | PEN               | 7.550                   | 2019           | -               | -        | 12,528         | 1,065            | -             | 1,013        | -            | 52               | -            |
| Banco de Crédito del Perú              | PEN               | 7.560                   | 2020           | -               | -        | 111            | 91               | -             | 36           | -            | 55               | -            |
| BBVA Banco Continental                 | PEN               | Between 4.950 and 7.500 | 2019           | -               | -        | 887            | 464              | -             | 269          | -            | 195              | -            |
| Banco Santander del Perú               | PEN               | Between 7.250 and 8.550 | 2021           | -               | -        | 1,756          | 437              | -             | 377          | -            | 60               | -            |
| Banco de Crédito del Perú              | PEN               | 10.420                  | 2018           | -               | -        | 81             | 8                | -             | 8            | -            | -                | -            |
|  |                   |                         |                | <b>-</b>        | <b>-</b> | <b>45,570</b>  | <b>10,447</b>    | <b>10,142</b> | <b>8,410</b> | <b>5,923</b> | <b>2,037</b>     | <b>4,219</b> |

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

| Type of obligation                     | Original currency | Interest rate % | Final maturity | Original amount |                  |                | Total            |               | Current        |               | Non-current      |               |
|--|-------------------|-----------------|----------------|-----------------|------------------|----------------|------------------|---------------|----------------|---------------|------------------|---------------|
|  |                   |                 |                | US\$ (000)      | US\$ (000)       | S/(000)        | 2018             | 2017          | 2018           | 2017          | 2018             | 2017          |
|  |                   |                 |                |                 |                  |                | S/(000)          | S/(000)       | S/(000)        | S/(000)       | S/(000)          | S/(000)       |
| <b>Notes and Loans</b>                 |                   |                 |                |                 |                  |                |                  |               |                |               |                  |               |
| <b>Related entities</b>                |                   |                 |                |                 |                  |                |                  |               |                |               |                  |               |
| Banco Internacional del Perú-Interbank | PEN               | 4.700           | 2025           | -               | -                | 161,950        | 161,059          | -             | 23,008         | -             | 138,051          | -             |
| <b>Non related entities</b>            |                   |                 |                |                 |                  |                |                  |               |                |               |                  |               |
| BBVA Banco Continental (d)             | PEN               | 3.170           | 2018           | -               | -                | 29,000         | 29,000           | -             | 29,000         | -             | -                | -             |
| Banco de Crédito del Perú (f)          | PEN               | 3.140           | 2018           | -               | -                | 27,000         | 27,000           | -             | 27,000         | -             | -                | -             |
| Banco Scotiabank (c)                   | PEN               | 3.000           | 2018           | -               | -                | 25,000         | 25,000           | -             | 25,000         | -             | -                | -             |
| BBVA Banco Continental (d)             | PEN               | 3.050           | 2018           | -               | -                | 1,473          | 1,473            | -             | 1,473          | -             | -                | -             |
| BBVA Banco Continental (d)             | PEN               | 3.220           | 2018           | -               | -                | 800            | 800              | -             | 800            | -             | -                | -             |
| BBVA Banco Continental (d)             | PEN               | 3.290           | 2018           | -               | -                | 1,300          | 1,300            | -             | 1,300          | -             | -                | -             |
| BBVA Banco Continental (d)             | PEN               | 3.170           | 2018           | -               | -                | 500            | 500              | -             | 500            | -             | -                | -             |
| Banco Bolivariano (i)                  | USD               | 7.000           | 2020           | 5,000           | -                | -              | 16,371           | -             | 8,185          | -             | 8,186            | -             |
| Banco Citibank (l)                     | USD               | 6.950           | 2018           | 3,000           | -                | -              | 9,822            | -             | 9,822          | -             | -                | -             |
| Banco Guayaquil (m)                    | USD               | 6.970           | 2018           | 7,000           | -                | -              | 11,888           | -             | 8,342          | -             | 3,546            | -             |
| Banco Internacional (h)                | USD               | 6.650           | 2018           | 4,500           | -                | -              | 14,733           | -             | 14,733         | -             | -                | -             |
| Banco Pacifico (j)                     | USD               | 7.320           | 2020           | 1,000           | -                | -              | 2,258            | -             | 1,087          | -             | 1,171            | -             |
| Banco Pichincha (g)                    | USD               | 7.000           | 2018           | 5,100           | -                | -              | 16,861           | -             | 16,861         | -             | -                | -             |
| Produbanco (k)                         | USD               | 7.710           | 2022           | 5,000           | -                | -              | 12,595           | -             | 3,094          | -             | 9,501            | -             |
| Banco Pichincha (g)                    | USD               | 7.000           | 2018           | 500             | -                | -              | 1,637            | -             | 1,637          | -             | -                | -             |
| Banco Pichincha (g)                    | USD               | 7.000           | 2018           | 200             | -                | -              | 655              | -             | 655            | -             | -                | -             |
| BBVA Colombia (e)                      | COP               | 8.400           | 2018           | -               | 2,900,000        | -              | 3,240            | -             | 3,240          | -             | -                | -             |
| Banco Scotiabank (c)                   | PEN               | 4.700           | 2025           | -               | -                | 161,950        | 161,545          | -             | 23,078         | -             | 138,467          | -             |
|  |                   |                 |                | <b>31,300</b>   | <b>2,900,000</b> | <b>408,973</b> | <b>497,737</b>   | <b>-</b>      | <b>198,815</b> | <b>-</b>      | <b>298,922</b>   | <b>-</b>      |
| <b>Call Spread, Note 9</b>             |                   |                 |                |                 |                  |                |                  |               |                |               |                  |               |
| Citibank N.A                           | USD               | 1.270           | 2023           | 23,811          | -                | -              | 77,957           | -             | 14,863         | -             | 63,094           | -             |
|  |                   |                 |                | <b>23,811</b>   | <b>-</b>         | <b>-</b>       | <b>77,957</b>    | <b>-</b>      | <b>14,863</b>  | <b>-</b>      | <b>63,094</b>    | <b>-</b>      |
| <b>Other obligations (n)</b>           |                   |                 |                |                 |                  |                |                  |               |                |               |                  |               |
| IBM Perú SAC                           | USD               | 2.170           | 2019           | 335             | -                | -              | 74               | 107           | 74             | 71            | -                | 36            |
| Hewlett Packard S.A.                   | USD               | 2.930           | 2021           | 12,084          | -                | -              | 19,906           | 17,052        | 8,960          | 8,094         | 10,946           | 8,958         |
|  |                   |                 |                | <b>12,419</b>   | <b>-</b>         | <b>-</b>       | <b>19,980</b>    | <b>17,159</b> | <b>9,034</b>   | <b>8,165</b>  | <b>10,946</b>    | <b>8,994</b>  |
| <b>Total</b>                           |                   |                 |                | <b>482,530</b>  | <b>2,900,000</b> | <b>840,343</b> | <b>2,281,050</b> | <b>27,301</b> | <b>235,051</b> | <b>14,088</b> | <b>2,045,999</b> | <b>13,213</b> |

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

- (b) In May 2018, the Company issued debt instruments ("Notes") denominated in US dollars through a private offer to institutional investors under Rule 144 A and Regulation S, for US\$400,000,000, equivalent to S/1,309,600,000 that accrues an interest of 5.375 percent per annum, 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 5.777 percent, after considering the respective up-front fees that amounted to US\$6,689,000 equivalent to approximately S/21,896,000 as of June 30, 2018.

Additionally, 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 6.557 percent, after considering the respective up-front fees that amounted to S/2,504,000 as of June 30, 2018.

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

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 June 30, 2018. Likewise, 100 percent of the "Senior Unsecured Notes" is guaranteed by the shares of InRetail Real Estate Corp. and Subsidiaries.

- (c) Scotiabank Perú  
Química Suiza S.A.  
It corresponds to two loans amounting to S/27,000,000 with maturities July and September 2018. The annual accrued interest rate is 3.00 percent. There are no specific guarantees.

InRetail Pharma

It corresponds to one loan amounting to S/161,950,000. The annual accrued interest rate is 4.70 percent with maturity in April 2025. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 4.775 percent, after considering the respective up-front fees that amounted to S/405,000.

- (d) BBVA Continental  
Química Suiza S.A.  
It corresponds to one loan amounting to S/29,000,000 and with maturity on September 2018. The annual accrued interest rate is 3.17 percent. There is no specific guarantee.

Cifarma S.A.

It corresponds to four loans amounting to S/1,473,000, S/800,000, S/1,300,000 and S/500,000 with maturities between July and September 2018. The annual accrued interest rates are between 3.05 percent and 3.29 percent, respectively.

- (e) BBVA Colombia  
Quideca S.A.  
As of June 30, 2018, the company had financial obligations with BBVA for an amount of US\$2,900,000 under an annual fixed effective interest rate of 8.40 percent that may be postponed every 165 days, supported by promissory notes and guarantees granted to the bank.

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

- (f) Banco de Crédito del Perú  
Quimica Suiza S.A.  
It corresponds to two loans amounting to S/27,000,000 with maturities between July and September 2018. The annual accrued interest rates is 3.14 percent. There are no specific guarantees.
- (g) Banco Pichincha  
Vantive Cía Ltda.  
It corresponds to two loans amounting to US\$700,000 within a term of 180 days. The annual accrued interest rate is 7.00 percent annual.
- Quifatex S.A.  
It corresponds to one loan amounting to US\$5,100,000 with maturity in August 2018 and the accrued interest rate is 7.00 percent annual.
- (h) Banco Internacional  
Quifatex S.A.  
It corresponds to two loans total amounting to US\$4,500,000 with maturities in August and September 2018. The annual accrued interest rate is 6.650 percent.
- (i) Banco Bolivariano  
Quifatex S.A.  
It corresponds to one loan amounting to US\$5,000,000 with maturities in April 2020 and the annual accrued interest rate is 7.00 percent.
- (j) Banco Pacífico  
Quifatex S.A.  
It corresponds to one loan amounting to US\$1,000,000 with maturities in May 2020 and the annual accrued interest rate is 7.32 percent.
- (k) Produbanco  
Quifatex S.A.  
It corresponds to one loan amounting to US\$5,000,000 with maturity in January 2022 and the accrued interest rate is 7.71 percent annual.
- (l) Citibank de Ecuador  
Quifatex S.A.  
It corresponds to two loans amounting to US\$3,000,000 with maturities between July and August 2018. The accrued interest rate is 6.95 percent annual.
- (m) Banco Guayaquil  
Quifatex S.A.  
It corresponds to two loans amounting to US\$7,000,000 maturing in September and December 2018. It accrues interest at an annual rate of 6.97 percent.
- (n) Corresponds to the debt acquired with IBM del Perú S.A.C. and Hewlett Packard S.A., for the purchase and leasing of computer equipment. These contracts do not have specific guarantees.

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

(ñ) During the six-month-periods ended June 30, 2018 and 2017, loans and borrowings accrued interest which is recorded in the “Finance costs” caption of the consolidated income statements, see Note 18. Also, as of June 30, 2018 and December 31, 2017, there are interests payable which are recorded in the “Other payables” caption of the consolidated statements of financial position.

(o) Some of the interest-bearing loans and borrowings include standard clauses requiring the InRetail Pharma Group to meet financial ratios, use of funds criteria and other administrative matters. In Management’s opinion, as of June 30, 2018 and December 31, 2017, standard clauses do not limit the normal operation of the InRetail Pharma Group and have been fulfilled.

(p) Financial obligations are payable as follows:

|              | <b>2018</b>      | <b>2017</b>   |
|--------------|------------------|---------------|
|              | S/ (000)         | S/ (000)      |
| 2018         | 194,266          | 14,088        |
| 2019         | 78,814           | 9,564         |
| 2020         | 59,664           | 3,088         |
| 2021 onwards | 1,948,306        | 561           |
| <b>Total</b> | <b>2,281,050</b> | <b>27,301</b> |

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

### 14. Income tax

- (a) The amounts presented in the statement of financial position as of June 30, 2018 and December 31, 2017, as well as the consolidated income statements for the six-month periods ended June 30, 2018 and 2017 are shown below:

| Statements of financial position                          | As of June 30, 2018 |                        | As of December 31, 2017 |                        |
|---|---------------------|------------------------|-------------------------|------------------------|
|   | Assets<br>S/(000)   | Liabilities<br>S/(000) | Assets<br>S/(000)       | Liabilities<br>S/(000) |
| InRetail Pharma S.A. (antes Eckerd Perú) and Subsidiaries | 10,929              | -                      | 12,861                  | -                      |
| Química Suiza S.A.C                                       | -                   | 31,528                 | -                       | -                      |
| Cifarma S.A.C   | 26                  | -                      | -                       | -                      |
| Vanttive S.A.C.   | 312                 | -                      | -                       | -                      |
| Quifatex S.A.   | 2,724               | -                      | -                       | -                      |
| Vanttive Cía Ltda.  | 26                  | -                      | -                       | -                      |
| Quimiza Ltda.   | 192                 | -                      | -                       | -                      |
| Quideca S.A.  | 1,097               | -                      | -                       | -                      |
| Mifarma S.A.C.  | 10,914              | -                      | -                       | -                      |
| Albis S.A.C   | 30,689              | -                      | -                       | -                      |
| Boticas Torres de Limatambo S.A.C.                        | 2,155               | -                      | -                       | -                      |
| Drogueria La Victoria S.A.C.                              | 190                 | -                      | -                       | -                      |
| Jorsa de la Selva S.A.C                                   | 2,419               | -                      | -                       | -                      |
| Consolidation adjustment                                  | -                   | 33,539                 | -                       | -                      |
| <b>Total</b>  | <b>61,673</b>       | <b>65,067</b>          | <b>12,861</b>           | <b>-</b>               |

  

| Statements of comprehensive income | Income tax for the six-month periods ended June 30, 2018 and 2017 |                 |
|------------------------------------|---|-----------------|
|                                    | 2018<br>S/(000)   | 2017<br>S/(000) |
| Current                            | (26,296)  | (27,720)        |
| Deferred                           | 2,188   | 1,021           |
| <b>Income tax expense</b>          | <b>(24,108)</b>   | <b>(26,699)</b> |

- (b) As of June 30, 2018 the advanced payments for income tax, amount to approximately S/115,463,000. Also, as of December 31, 2017, the income tax credit amount to approximately S/4,290,000.

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

### 15. Equity

- (a) Capital stock –  
As of June 30, 2018, the capital stock of the Company is represented by 15,839,379 common shares, with a nominal value of S/1.00 each (13,783,428 common shares as of December 31, 2017), which are entirely authorized and paid.
- (b) Capital Premium –  
Corresponds to cash contributions for a total amount of approximately S/4,182,000. In accordance with the agreements of the General Shareholders Meetings of July 2008, an amount of S/791,000 was recorded as capital stock and the difference of approximately S/3,391,000 was recorded as a capital premium, which is presented in the caption “Capital premium” in the consolidated statement of financial position.

In April 2018, the merger by absorption of IR Pharma S.A.C. (formerly Chakana Salud S.A.C.), generated an exchange of shares for an equity received of S/481,500,000, issuing shares of S/2,056,000 and recognizing a capital premium of S/479,444,000.

- (c) Legal reserve –  
As of June 30, 2018 and 2017, this caption includes the legal reserve established by the Company and its Subsidiaries. As provided in the General Corporations Law, 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, in both cases it must be replenished. The legal reserve is appropriated when the General Shareholders' Meeting approves it.

In Management's opinion, during 2018, the General Shareholders Meeting will approve the transfer to legal reserve of approximately S/719,000, in order to meet the equivalent to 20 percent of the capital stock and reach the legal limit.

- (d) Dividends declared and paid –  
The General Shareholders Meeting held on March 31, 2017 agreed to distribute dividends with charge to retained earnings for a total amount of approximately S/65,000,000, which were paid in full in the second quarter of 2017.

The General Shareholders Meeting held on June 30, 2018 agreed to distribute dividends with charge to retained earnings for a total amount of approximately S/151,020,000, which were paid in full in the second quarter of 2018.

### 16. Tax Situation

- (a) The Company and its Subsidiaries domiciled in Peru, Ecuador, Bolivia y Colombia, are subject to the tax regime of each country and calculate the income tax based on their individual financial statements. As of June 30, 2018 and December 31, 2017, the income tax rate was:

| Country  | %    |
|----------|------|
| Perú     | 29.5 |
| Ecuador  | 22   |
| Bolivia  | 25   |
| Colombia | 33   |

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

Entities and individuals not domiciled in Peru must pay an additional tax over dividends received. In this regard, attention to Legislative Decree N° 1261, published on December 10, 2016 and effective from January 1, 2017, the additional tax on dividend income generated is as follows:

- 4.1 percent for the profits generated until December 31, 2014
- 6.8 percent for the profits generated in the years 2015 and 2016.
- 5.0 percent for the profits generated since January 1, 2017.

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

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

- (i) In first place, 10 percent or more of shares of the non domiciliated company must be sold in a period of twelve months.
  - (ii) In second place, the market value of the Peruvian company's shares must represent 50 percent or more of the market value of the non domiciliated company, in a period of twelve months.
- (d) For purposes of determining the Income Tax, transfer pricing of transactions with related companies and companies domiciled in territories with low or no taxation must be supported with documentation and information on assessment methods applied and criteria considered. Based on the analysis of the operations of the InRetail Pharma Group, Management and its legal advisors consider that as consequence of the application of the regulation in force, there will not be any significant contingencies for the InRetail Pharma Group as of June 30, 2018 and December 31, 2017.
- (e) The tax authority is legally entitled to review and, if necessary, adjust the Income Tax computed. Following are the years subject to review by the tax authority of the Subsidiaries of InRetail PharmaS.A.. incorporated in Peru and foreign:

|  | <b>Income<br/>Tax</b> | <b>Value added<br/>tax</b> |
|--|-----------------------|----------------------------|
| InRetail Pharma S.A. (former Eckerd Perú S.A.) | From 2014 to 2017     | From 2013 to 2017          |
| Eckerd Amazonía S.A.C.                         | From 2013 to 2017     | From 2013 to 2017          |
| Boticas del Oriente S.A.C.                     | From 2013 to 2017     | From 2013 to 2017          |
| Química Suiza Comercial S.A.C                  | From 2014 to 2017     | From 2014 to 2017          |
| Quicorp S.A.C                                  | From 2013 to 2017     | From 2013 to 2017          |
| Superfarma Mayoristas S.A.C                    | From 2016 to 2017     | From 2016 to 2017          |
| Vanttive S.A.C.                                | From 2013 to 2017     | From 2013 to 2017          |
| Cifarma S.AC                                   | From 2013 to 2017     | From 2013 to 2017          |
| Vanttive Cía Ltda.                             | From 2015 to 2017     | From 2015 to 2017          |
| Química Suiza S.A.C                            | From 2016 to 2017     | From 2013 to 2017          |
| Quifatex S.A.                                  | From 2015 to 2017     | From 2015 to 2017          |
| Quideca S.A.                                   | From 2012 to 2017     | From 2016 to 2017          |
| Quimiza Ltda.                                  | From 2013 to 2017     | From 2013 to 2017          |
| Droguería La Victoria S.A.C.                   | From 2013 to 2017     | From 2013 to 2017          |
| Jorsa de la Selva S.A.C                        | From 2013 to 2017     | From 2013 to 2017          |
| Mifarma S.A.C.                                 | From 2014 to 2017     | From 2013 to 2017          |
| Albis S.A.C                                    | From 2013 to 2017     | From 2013 to 2017          |
| Boticas Torres de Limatambo S.A.C              | From 2013 to 2017     | From 2013 to 2017          |
| Empresa comercializadora Mifarma Bolivia S.A.  | From 2010 to 2017     | From 2010 to 2017          |

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

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

In opinion of Management of the InRetail Pharma Group as well as its legal advisors opinion, any eventual additional tax settlement would not be significant to the consolidated financial statements as of June 30, 2018 and December 31, 2017.

- (f) As of June 30, 2018 and 2017, estimated losses from previous periods for Subsidiaries for tax purposes are the following:

|                             | <b>As of June 30,<br/>2018</b> | <b>As of December 31,<br/>2017</b> |
|-----------------------------|--------------------------------|------------------------------------|
|                             | S/(000)                        | S/(000)                            |
| Albis S.A.C.                | 98,844                         | -                                  |
| Jorsa de la Selva S.A.C.    | 6,501                          | -                                  |
| Superfarma Mayorista S.A.C. | 1,529                          | -                                  |
| Vanttive S.A.C.             | 855                            | -                                  |
| <b>Total</b>                | <b>107,729</b>                 | <b>-</b>                           |

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

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

Albis S.A.C., Superfarma Mayorista S.A.C., Vanttive S.A.C. have chosen method (i) and Jorsa de la Selva S.A.C. the method (ii).

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

### 17. Operating expenses

(a) The table below presents the components of this caption for the six-month periods ended June 30, 2018 and 2017:

|                         | 2018<br>S/(000)  | 2017<br>S/(000)  |
|-------------------------|------------------|------------------|
| Cost of sales           | 2,262,298        | 888,458          |
| Selling expenses        | 606,375          | 316,709          |
| Administrative expenses | 148,067          | 31,923           |
| <b>Total</b>            | <b>3,016,740</b> | <b>1,237,090</b> |

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

|  | 2018                        |                                |                                       | Total<br>S/(000) |
|--|-----------------------------|--------------------------------|---------------------------------------|------------------|
|  | Cost of<br>sales<br>S/(000) | Selling<br>expenses<br>S/(000) | Administrative<br>expenses<br>S/(000) |                  |
| Initial balance of goods, Note 7 (a)                   | 378,527                     | -                              | -                                     | 378,527          |
| Subsidiary acquisition                                 | 681,708                     | -                              | -                                     | 681,708          |
| Purchase of goods                                      | 2,139,068                   | -                              | -                                     | 2,139,068        |
| Final balance of goods, Note 7 (a)                     | (945,050)                   | -                              | -                                     | (945,050)        |
| Final balance of raw materials, Note 7 (a)             | (13,072)                    | -                              | -                                     | (13,072)         |
| Final balance of suppliers, Note 7 (a)                 | (1,149)                     | -                              | -                                     | (1,149)          |
| Final balance of finished goods, Note 7 (a)            | (1,068)                     | -                              | -                                     | (1,068)          |
| Impairment of inventories Note 7 (c)                   | 13,973                      | -                              | -                                     | 13,973           |
| Factory overhead                                       | 8,125                       | -                              | -                                     | 8,125            |
| Personnel expenses                                     | -                           | 283,023                        | 86,109                                | 369,132          |
| Depreciation, Note 10 (d)                              | 1,223                       | 29,500                         | 4,062                                 | 34,785           |
| Impairment of assets, Note 10(a)                       | -                           | (235)                          | -                                     | (235)            |
| Amortization, Note 11 (d)                              | 13                          | 3,936                          | 1,785                                 | 5,734            |
| Key money amortization                                 | -                           | 2,328                          | -                                     | 2,328            |
| Services provided by third parties (b)                 | -                           | 116,237                        | 45,600                                | 161,837          |
| Advertising  | -                           | 23,428                         | 71                                    | 23,499           |
| Packing and packaging                                  | -                           | 5,826                          | 313                                   | 6,139            |
| Rental of premises                                     | -                           | 118,183                        | 2,253                                 | 120,436          |
| Taxes  | -                           | 3,519                          | 3,848                                 | 7,367            |
| Provision for doubtful trade receivables,<br>Note 6(e) | -                           | 3,989                          | 3                                     | 3,992            |
| Recoveries, Note 6 (e)                                 | -                           | (1,869)                        | -                                     | (1,869)          |
| Insurance  | -                           | 4,313                          | 464                                   | 4,777            |
| Other charges (c)                                      | -                           | 14,197                         | 3,559                                 | 17,756           |
| <b>Total</b>   | <b>2,262,298</b>            | <b>606,375</b>                 | <b>148,067</b>                        | <b>3,016,740</b> |

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

|   | <b>2017</b>          |                         |                                |                  |
|---|----------------------|-------------------------|--------------------------------|------------------|
|   | <b>Cost of sales</b> | <b>Selling expenses</b> | <b>Administrative expenses</b> | <b>Total</b>     |
|   | S/(000)              | S/(000)                 | S/(000)                        | S/(000)          |
| Initial balance of goods                            | 472,299              | -                       | -                              | 472,299          |
| Purchase of goods                                   | 835,965              | -                       | -                              | 835,965          |
| Final balance of goods                              | (426,118)            | -                       | -                              | (426,118)        |
| Impairment of inventories, Note 7 (c)               | 6,312                | -                       | -                              | 6,312            |
| Personnel expenses                                  | -                    | 149,656                 | 20,294                         | 169,950          |
| Depreciation, Note 10 (d)                           | -                    | 17,273                  | 2,535                          | 19,808           |
| Amortization, Note 11 (d)                           | -                    | 1,802                   | 298                            | 2,100            |
| Key money amortization                              | -                    | 232                     | -                              | 232              |
| Services provided by third parties (b)              | -                    | 59,016                  | 6,241                          | 65,257           |
| Advertising   | -                    | 14,078                  | -                              | 14,078           |
| Packing and packaging                               | -                    | 4,200                   | 62                             | 4,262            |
| Rental of premises                                  | -                    | 64,191                  | 624                            | 64,815           |
| Taxes   | -                    | 770                     | 921                            | 1,691            |
| Provision for doubtful trade receivables, Note 6(e) | -                    | 3                       | -                              | 3                |
| Insurance   | -                    | 1,195                   | 109                            | 1,304            |
| Other charges (c)                                   | -                    | 4,293                   | 839                            | 5,132            |
| <b>Total</b>  | <b>888,458</b>       | <b>316,709</b>          | <b>31,923</b>                  | <b>1,237,090</b> |

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

(c) Mainly include general expenses in stores.

### 18. Finance costs

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

|   | <b>2018</b>    | <b>2017</b>  |
|---|----------------|--------------|
|   | S/(000)        | S/(000)      |
| Interest on loans, borrowings and bonds payable             | 60,258         | 1,130        |
| Financial structuring expenses                              | 33,761         | -            |
| Premium accrual of "Call Spread"                            | 2,544          | -            |
| Derivative financial instruments loss measure to fair value | 2,122          | -            |
| Other financial costs                                       | 6,292          | 48           |
| <b>Total</b>  | <b>104,977</b> | <b>1,178</b> |

(b) As of June 30, 2018, there are interests payable for these obligations for approximately S/18,019,000, which are recorded in the "Other payables" caption of the consolidated statements of financial position.

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

### 19. Transactions with related parties

(a) The following table provides the total amount of transactions that have been entered into with related parties for the six-month periods ended as of June 30, 2018 and 2017:

|                              | 2018<br>S/(000) | 2017<br>S/(000) |
|------------------------------|-----------------|-----------------|
| <b>Income</b>                |                 |                 |
| Sales                        | 18,643          | -               |
| Rendering of services        | -               | 54              |
| Interest income              | 11,553          | -               |
| Other                        | 3,675           | 1,543           |
| <b>Total</b>                 | <b>33,871</b>   | <b>1,597</b>    |
| <b>Expenses</b>              |                 |                 |
| Renting of premises and land | 6,609           | 6,299           |
| Reimbursement of expenses    | 2,935           | 1,002           |
| Commissions                  | -               | -               |
| Interest                     | 1,545           | -               |
| Others                       | 1,780           | 1,953           |
| <b>Total</b>                 | <b>12,869</b>   | <b>9,254</b>    |

(b) As a result of the transactions with related companies, the InRetail Pharma Group recorded the following balances as of June 30, 2018 and December 31, 2017:

|   | As of June 30,<br>2018<br>S/(000) | As of December 31,<br>2017<br>S/(000) |
|---|-----------------------------------|---------------------------------------|
| <b>Receivables</b>                            |                                   |                                       |
| Supermercados Peruanos S.A. (e)               | 3,828                             | -                                     |
| InRetail Shopping Malls                       | 6,025                             | -                                     |
| Homecenters Peruanos S.A. (e)                 | 90                                | -                                     |
| Homecenters Oriente S.A.C                     | 4                                 | -                                     |
| InRetail Consumer (d)                         | 5,700                             | 538                                   |
| Financiera Oh! S.A.                           | 36                                | 76                                    |
| Banco Internacional del Perú S.A.A.-Interbank | 9                                 | -                                     |
| Intercorp Perú Ltd.                           | 3,480                             | -                                     |
| Interseguro Compañía de Seguros S.A.          | -                                 | 1                                     |
| Others  | 951                               | 14                                    |
| <b>Total</b>                                  | <b>20,123</b>                     | <b>629</b>                            |
| Current                                       | 10,857                            | 629                                   |
| Non Current                                   | 9,266                             | -                                     |
|   | <b>20,123</b>                     | <b>629</b>                            |

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

|  | As of June 30,<br>2018 | As of December 31,<br>2017 |
|--|------------------------|----------------------------|
|  | S/(000)                | S/(000)                    |
| <b>Payables</b>                                  |                        |                            |
| Banco Internacional del Perú S.A.A. – Interbank: |                        |                            |
| Credit lines and others                          | 16                     | -                          |
| Real Plaza S.A.                                  | 58                     | -                          |
| Supermercados Peruanos S.A.                      | 415                    | 455                        |
| IR Management S.R.L.                             | 168                    | -                          |
| Patrimonio Interproperties Holding I             | 172                    | -                          |
| Inmobiliaria Puerta del Sol S.A.                 | 17                     | -                          |
| Others   | 32                     | 144                        |
|  | <u>878</u>             | <u>599</u>                 |

The policy of the InRetail Pharma 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 period-end are unsecured and interest free, except for the financial obligations explained in this one. There have been no guarantees provided or received for any related party receivables or payables. As of June 30, 2018 and December 31, 2017, the InRetail Pharma Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.
- (d) In January 2018, the Company granted a loan to Patrimonio en Fideicomiso D.S. 093-EF-2012 InRetail Consumer of US\$322,000,000 equivalent to S/1,038,128,000 as of June 30, 2018 (equivalent S/1,039,738,000 at transaction date), this loan was used for the prepayment of the "Senior Unsecured Notes" that accrues an annual interest of 5.50 percent and is due in January 2019. On April 2018, this loan was fully paid.

Additionally, as of June 30, 2018, the Company maintains an account receivable of US\$1,669,000 equivalent to S/5,700,000 that accrues an annual interest rate of 1.27 percent and maturity in May 2023.

- (e) Corresponds to the balances pending for the sale of goods of Química Suiza S.A. as of June 30, 2018.
- (f) Banco Internacional del Perú – Interbank signed leasing contracts with InRetail Pharma S.A. which to date have outstanding balances of approximately S/7,237,000. These leasing contracts accrue annual interest rates of 7.85 percent, with maturity in 2019. These transactions are included in "Interest-bearing loans and borrowings". During the six-month periods ended June 30, 2018 and 2017, leasing contracts generated interests which are recorded in the "Financial costs" caption of the consolidated income statements.
- (g) The compensation of key management personnel of the InRetail Pharma Group for the six-month periods ended June 30, 2018 and 2017, is detailed below:

|  | 2018<br>S/(000) | 2017<br>S/(000) |
|--|-----------------|-----------------|
| Short term employee benefits                 | 14,710          | 3,749           |
| Insurance and medical benefits               | 68              | -               |
| Employment benefits for contract termination | 2,506           | -               |
| <b>Total</b>                                 | <u>17,284</u>   | <u>3,749</u>    |

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

- (h) As of June 30, 2018 and December 31, 2017, the InRetail Pharma Group maintains the following balances in the cash and cash equivalent captions:

|   | <b>2018</b><br>S/(000) | <b>2017</b><br>S/(000) |
|---|------------------------|------------------------|
| Banco Internacional del Peru – Interbank S.A.A. | 20,113                 | 12,979                 |
| Inteligo Bank Ltd.                              | 3                      | 1                      |

### 20. Earnings per share

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

The following reflects basic and diluted earnings per share computations:

|                                      | <b>Ordinary shares</b>                               |  |   |
|--------------------------------------|--|--|---|
|                                      | <b>Outstanding<br/>shares</b>                        | <b>Effective days until<br/>period-end</b> | <b>Weighted<br/>average of<br/>shares</b> |
| Number as of January 1, 2017         | 13,783,428   | 180  | 13,783,428                                |
| Number as of June 30, 2017           | 13,783,428   |  | 13,783,428                                |
| Number as of January 1, 2018         | 13,783,428   | 180  | 13,783,428                                |
| Share issued in the period           | 2,055,951  | 37   | 422,612                                   |
| Number as of June 30, 2018           | 15,839,379   |  | 14,206,040                                |
|                                      | <b>For the six-month-periods ended June 30, 2018</b> |  |   |
|                                      | <b>Net income<br/>(numerator)<br/>S/</b>             | <b>Shares<br/>(denominator)</b>            | <b>Earnings per<br/>share<br/>S/</b>      |
| Basic and diluted earnings per share | 20,060,000   | 14,206,040                                 | 1.41                                      |
|                                      | <b>For the six-month-periods ended June 30, 2017</b> |  |   |
|                                      | <b>Net income<br/>(numerator)<br/>S/</b>             | <b>Shares<br/>(denominator)</b>            | <b>Earnings per<br/>share<br/>S/</b>      |
| Basic and diluted earnings per share | 56,510,000   | 13,783,428                                 | 4.10                                      |

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

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

### 21. Commitments and contingencies

Commitments –

The main commitments assumed are presented below:

- (a) As of June 30, 2018 and December 31, 2017, the InRetail Pharma Group has signed renting contracts with third parties for the premises in which some of its stores operate. The assumed commitments correspond to fixed and/or variable monthly rents based on sales, whichever is highest.

Otherwise, the total rental commitments assumed, calculated on the basis of the leasing fixed amounts, will be paid as follows:

|                       | <b>2018</b>             | <b>2017</b>           |
|-----------------------|-------------------------|-----------------------|
| Up to 1 year          | 188,983                 | 132,513               |
| Between 1 and 3 years | 646,788                 | 426,549               |
| More than 3 years     | 224,195                 | 148,178               |
| <b>Total</b>          | <b><u>1,059,967</u></b> | <b><u>707,240</u></b> |

- (b) As of June 30, 2018, the Company agreed with several financial entities on the issuance of solidary and irrevocable letters of guarantee for approximately S/71,243,000, US\$6,387,000 and b\$845,000 (S/5,895,000 and US\$1,739,000 as of December 31, 2017), respectively, to comply with the payment of goods purchased to foreign suppliers.

Contingencies –

- (a) Eckerd Amazonía S.A.C. is in the process of claim against the Tax Authority for determinations of debts and fines related to VAT for the period between January 2003 and September 2005. In opinion of Management and its legal advisors these contingencies are stated as possible and significant liabilities will not arise as result of this contingency as of June 30, 2018 and December 31, 2017.
- (b) InRetail Pharma S.A. maintains certain labor claims for approximately S/2,322,000, mainly related to compensation for arbitrary dismissal, non-payment of social benefits, and reinstatements in the work place, among others. In Management's opinion and its legal advisors, these must be resolved favorably for InRetail Pharma S.A.; consequently, it is not necessary to record additional liabilities for these items.
- (c) Mifarma S.A. (formely Farmacias Peruanas S.A.)
- The Peruvian tax Administration (SUNAT) has some objections related to the tax base for income tax and value added tax for the year 2001 in the amount of S/7,111,000. Mifarma S.A. (formely Farmacias Peruanas S.A.) has filed a judicial claim before the Tax Court to annul the objection.

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

- In 2006, Peruvian Tax Authority made an assessment related to the income tax base for year 2003 for S/1,827,000. In relation to this amount, the Company filed a claim for S/1,296,000; concerning the remaining taxable base of S/531,000, part of it was accepted, which represented the payment of principal, fine and interest for S/129,000.

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

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

- In 2011, the Peruvian Tax Authority made some objections related to the base of the income tax for the year 2009 in the amount S/4,184,000, which results in the reversal of the tax loss that the Company had determined for the year. On January 3, 2012, amounts of the assessment were notified, resulting in a reduction of the income tax credit from S/1,853,000 to S/1,252,000.

Likewise, a fine of S/627,000 and interest of S/59,000 were determined for the fact of filing information that causes an omitted tax and/or an unduly increased loss.

The Company accepted some of these objections and on January 31, 2012, filed a partial claim of these objections claiming an amount of S/2,004,000, as well as the fine of S/301,000 plus respective default interest.

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

### 22. Business segments

For management purposes, the InRetail Pharma Group is organized into business units based on their products and services and has two reportable segments as follows:

- The pharmacies segment is a nationwide supplier of drugs, medicines and cosmetic related products through the chains of pharmacies named "Inkafarma" and "Mifarma".
- Manufacturing, Distribution and Marketing segment operates nationally and internationally.

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

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

As of June 30, 2018 and December 31, 2017 and for the six-month periods ended June 30, 2018 and 2017, InRetail Pharma S.A. is organized into two main business lines, see Note 2. Transactions between the business segments are carried out under normal commercial terms and conditions. The following table presents the financial information of InRetail Pharma Group by business segments for the six-month periods ended June 30, 2018 and 2017

|  | Pharmacies<br>S/(000) | Manufacturing,<br>Distribution and<br>Marketing<br>S/(000) | Total segments<br>S/(000) | Holding accounts,<br>consolidation<br>adjustments and<br>intercompany<br>eliminations<br>S/(000) | Consolidated<br>S/(000) |
|--|-----------------------|--|---------------------------|--|-------------------------|
| <b>For the six-month periods ended June 30, 2018</b> |                       |  |                           |  |                         |
| <b>Revenue</b>                                       |                       |  |                           |  |                         |
| External income                                      | 2,235,915             | 920,846  | 3,156,761                 | -  | 3,156,761               |
| Inter-segment  | -                     | 252,803  | 252,803                   | (252,803)  | -                       |
| <b>Total revenue</b>                                 | <b>2,235,915</b>      | <b>1,173,649</b>   | <b>3,409,564</b>          | <b>(252,803)</b>   | <b>3,156,761</b>        |
| Cost of sales  | (1,293,671)           | (968,627)  | (2,262,298)               | -  | (2,262,298)             |
| Inter-segment  | (236,564)             | -  | (236,564)                 | 236,564  | -                       |
| <b>Gross profit</b>                                  | <b>705,680</b>        | <b>205,022</b>   | <b>910,702</b>            | <b>(16,239)</b>  | <b>894,463</b>          |
| Selling expenses                                     | (479,056)             | (134,824)  | (613,880)                 | 7,505  | (606,375)               |
| Administrative expenses                              | (93,222)              | (52,827)   | (146,049)                 | (2,018)  | (148,067)               |
| Other operating income (expenses)                    | 24,163                | (11,065)   | 13,098                    | 8,185  | 21,283                  |
| <b>Operating profit</b>                              | <b>157,565</b>        | <b>6,306</b>   | <b>163,871</b>            | <b>(2,567)</b>   | <b>161,304</b>          |
| Net, exchange difference                             | (30,905)              | 606  | (30,299)                  | 548  | (29,751)                |
| Finance income                                       | 23,816                | 2,590  | 26,406                    | (8,814)  | 17,592                  |
| Finance costs  | (101,427)             | (10,686)   | (112,113)                 | 7,136  | (104,977)               |
| <b>Profit before income tax</b>                      | <b>49,049</b>         | <b>(1,184)</b>   | <b>47,865</b>             | <b>(3,697)</b>   | <b>44,168</b>           |
| Income tax expense                                   | (15,169)              | (8,767)  | (23,936)                  | (172)  | (24,108)                |
| <b>Profit for the year</b>                           | <b>33,880</b>         | <b>(9,951)</b>   | <b>23,929</b>             | <b>(3,869)</b>   | <b>20,060</b>           |

Notes to the interim consolidated financial statements (continued)

|  | Pharmacies       | Manufacturing,<br>Distribution and<br>Marketing<br>S/(000) | Total segments<br>S/(000) | Holding accounts,<br>consolidation<br>adjustments and<br>intercompany<br>eliminations<br>S/(000) | Consolidated<br>S/(000) |
|--|------------------|--|---------------------------|--|-------------------------|
| <b>For the six-month periods ended June 30, 2017</b> |                  |  |                           |  |                         |
| <b>Revenue</b>                                       |                  |  |                           |  |                         |
| External income                                      | 1,323,514        | -  | 1,323,514                 | -  | 1,323,514               |
| <b>Total revenue</b>                                 | <b>1,323,514</b> | <b>-</b>   | <b>1,323,514</b>          | <b>-</b>   | <b>1,323,514</b>        |
| Cost of sales  | (888,458)        | -  | (888,458)                 | -  | (888,458)               |
| <b>Gross profit</b>                                  | <b>435,056</b>   | <b>-</b>   | <b>435,056</b>            | <b>-</b>   | <b>435,056</b>          |
| Selling expenses                                     | (316,709)        | -  | (316,709)                 | -  | (316,709)               |
| Administrative expenses                              | (31,923)         | -  | (31,923)                  | -  | (31,923)                |
| Other operating income (expenses)                    | (2,582)          | -  | (2,582)                   | -  | (2,582)                 |
| <b>Operating profit</b>                              | <b>83,842</b>    | <b>-</b>   | <b>83,842</b>             | <b>-</b>   | <b>83,842</b>           |
| Net, exchange difference                             | (1,100)          | -  | (1,100)                   | -  | (1,100)                 |
| Finance income                                       | 1,645            | -  | 1,645                     | -  | 1,645                   |
| Finance costs  | (1,178)          | -  | (1,178)                   | -  | (1,178)                 |
| <b>Profit before income tax</b>                      | <b>83,209</b>    | <b>-</b>   | <b>83,209</b>             | <b>-</b>   | <b>83,209</b>           |
| Income tax expense                                   | (26,699)         | -  | (26,699)                  | -  | (26,699)                |
| <b>Profit for the year</b>                           | <b>56,510</b>    | <b>-</b>   | <b>56,510</b>             | <b>-</b>   | <b>56,510</b>           |

Inter-segment revenues are eliminated upon combination and reflected also in the “Adjustments and eliminations” column.

**Geographic information-**

As of June 30, 2018 and December 31, 2017, the operations of all the Company's subsidiaries are mainly carried out in Peru; with income and assets from abroad not being significant at those dates

**23. Fair value**

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

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

The following methods and assumptions were used to estimate the fair values:

(a) Financial instruments whose fair value is similar to book value

Assets and liabilities that are liquid or have short maturities (less than three months), such as cash and short-term deposits, trade and other receivables, trade and other payables and other current liabilities, approximate to their carrying amounts largely due to the short-term maturities of these instruments. Also, the derivative instrument by the InRetail Pharma Group is recorded at fair value.

(b) Fixed-rate financial instruments

The fair value of financial assets and liabilities at fixed interest rates and amortized cost is determined by comparing market interest rates at their initial recognition to current market rates related to similar financial instrument. The estimated fair value of interest-bearing deposits is determined through discounted cash flows by using market interest rates in the prevailing currency with similar maturities and credit risks.

(c) Available-for-sale investment

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

**Fair value hierarchy**

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

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

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

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

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

The InRetail Pharma Group does not maintain any financial instrument with fair value determination under level 3 and there were no transfers between levels during the six-month periods ended June 30, 2018 and 2017. The InRetail Pharma Group maintains the following financial instruments at fair value:

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

### 24. Transactions in foreign currency

The financial statements have been stated in Soles using exchange rates prevailing in the market as published by the Superintendence of Banks, Insurance and Pension Funds Administration. As of June 30, 2018 the weighted average exchange rates in the market for transactions in US Dollars were S/3.269 per US\$1.00 bid and S/3.274 per US\$ 1.00 ask (S/3.238 and S/3.245 per US\$1.00 for bid and ask as of December 31, 2017).

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by authorized entities of the country in which Company and its subsidiaries operate. As of June 30, 2018, the weighted average exchange rate at the market for transactions of the different currency in relation to the Sol are as following:

| Exchange rate per soles | 2018    | 2017    |
|-------------------------|---------|---------|
| U. S. Dollars (US\$)    | 0.305   | 0.308   |
| Bolivian Peso (b\$)     | 2.126   | 2.145   |
| Colombian Peso (\$)     | 895.174 | 919.659 |

As of June 30, 2018 and December 31, 2017, The InRetail Pharma Group held the following foreign currency assets and liabilities:

|  | As of June 30, 2018 |                 | As of December 31, 2017 |                 |
|--|---------------------|-----------------|-------------------------|-----------------|
|  | US\$(000)           | b\$ (000)       | \$(000)                 | US\$(000)       |
| <b>Assets</b>                            |                     |                 |                         |                 |
| Cash and short-term deposits             | 11,195              | 6,263           | 1,061,202               | 580             |
| Available-for-sale investment            | -                   | -               | -                       | 14,543          |
| Trade receivables, net                   | 65,574              | 35,489          | 9,126,145               | -               |
| Other accounts receivables, net          | 9,767               | 6,040           | 560,331                 | 2,815           |
| Accounts receivable from related parties | 3,619               | 1,253           | -                       | -               |
| <b>Total assets</b>                      | <b>90,155</b>       | <b>49,045</b>   | <b>10,747,678</b>       | <b>17,938</b>   |
| <b>Liabilities</b>                       |                     |                 |                         |                 |
| Trade payables                           | (56,207)            | (61,731)        | (6,623,567)             | (2,220)         |
| Other payables                           | (27,170)            | (12,606)        | -                       | (2,473)         |
| Accounts payable to related parties      | (10)                | (1,243)         | -                       | -               |
| Interest - bearing loans and borrowings  | (450,944)           | -               | (2,900,000)             | (5,504)         |
| <b>Total Liabilities</b>                 | <b>(534,331)</b>    | <b>(75,580)</b> | <b>(9,523,567)</b>      | <b>(10,197)</b> |
| Call Spread                              | 400,000             | -               | -                       | -               |
| <b>Net (liability) assets position</b>   | <b>(44,176)</b>     | <b>(26,535)</b> | <b>1,224,111</b>        | <b>7,741</b>    |

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

As of June 30, 2018, InRetail Pharma and its Subsidiaries have decided to reduce its exchange rate risk by entering into a hedging operation through a Call Spread written over its "Senior Unsecured Notes", which is considered an effective hedging instrument.

The Call Spread is written over a nominal amount of US\$400,000,000 as of June 30, 2018, protects it from exchange rate fluctuations between S/3.26 and S/3.75 as of June 30, 2018 and will be effective until maturity of the "Senior Unsecured Notes". See further detail in Note 9 and 13.

### **26. Subsequent event**

At the General Shareholders' Meeting was approved on July 12, 2018, the merger of Quicorp S.A.C. with Quimica Suiza Comercial S.A.C.

At the General Shareholders' Meeting held on July 31, 2018, the merger of Mifarma S.A.C. with Droguería la Victoria S.A.C. and Boticas Torres de Limatambo S.A.C.

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

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