

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

Interim consolidated financial statements as of March 31, 2019,
(non-audited) and December 31, 2018 (audited) and for the three-
month periods ended March 31, 2019 and 2018

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

Interim consolidated financial statements as of March 31, 2019 and December 31, 2018 and for the three-month periods ended March 31, 2019 and 2018.

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Interim consolidated statements of financial position

As of March 31, 2019 (unaudited) and December 31, 2018 (audited)

	Note	2019 S/(000)	2018 S/(000)		Note	2019 S/(000)	2018 S/(000)
Assets				Liabilities and equity			
Current assets				Current liabilities			
Cash and short-term deposits	5	475,177	475,136	Trade payables	12	1,497,718	1,657,244
Investments at fair value through profit or loss		-	1,000	Other payables		296,977	255,147
Trade receivables, net	6	469,872	497,909	Accounts payable to related parties	19(b)	3,172	3,342
Other receivables, net		57,590	38,218	Interest-bearing loans and borrowings	13	197,545	210,181
Accounts receivables from related parties	19(b)	9,203	6,812	Lease liability		215,890	-
Inventories, net	7	1,005,243	1,056,996	Current income tax	14(a)	10,487	10,665
Taxes recoverable		112,371	113,836	Total current liabilities		2,221,789	2,136,579
Prepayments		21,239	20,640				
Total current assets		2,150,695	2,210,547	Non-current liabilities			
				Trade payables	12	2,590	10,733
				Other payables		1,968	1,424
				Interest-bearing loans and borrowings	13	1,990,269	2,024,429
				Lease liability		465,558	-
				Reserves for employee retirement pension funds		19,720	20,429
				Deferred income tax liabilities, net	14(a)	254,995	263,709
				Total non-current liabilities		2,735,100	2,320,724
				Total liabilities		4,956,889	4,457,303
Non-current assets				Equity			
Other receivables, net		26,572	25,317	Capital stock	15(a)	15,840	15,840
Investments at fair value through equity	8	45,125	36,338	Capital premium	15(b)	482,835	482,835
Prepayments		29,021	30,196	Other reserves		2,449	2,449
Derivative financial instrument	9	79,254	86,694	Unrealized results from foreign currency translation		(18)	6
Property, furniture and equipment, net	10	1,254,310	588,897	Unrealized results from valuation of investment at fair value		8,473	2,237
Intangible assets, net	11	2,002,479	2,011,459	Unrealized results from derivative financial instruments		664	(12,356)
Deferred income tax assets, net	14(a)	57,090	59,702	Retained earnings		182,604	108,055
Other assets		5,190	7,219	Total equity		692,847	599,066
Total non-current assets		3,499,041	2,845,822				
				Total liabilities and equity		5,649,736	5,056,369
Total assets		5,649,736	5,056,369				

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 three-month periods ended March 31, 2019 and 2018

	Note	2019 S/(000)	2018 S/(000)
Net sales of goods		1,654,638	1,330,166
Rental income		12,259	9,093
Rendering of services		37,626	40,055
Revenue		1,704,523	1,379,314
Cost of sales	17	(1,186,748)	(974,955)
Gross profit		517,775	404,359
Selling expenses	17	(318,534)	(289,299)
Administrative expenses	17	(66,389)	(65,491)
Other operating income (expenses), net		184	8,598
Operating profit		133,036	58,167
Financial income		3,172	14,504
Financial expenses	18	(49,268)	(28,766)
Exchange difference, net		8,130	(11,823)
Profit before income tax		95,070	32,082
Income tax expense	14(a)	(25,950)	(16,677)
Net profit		69,120	15,405
Attributable to:			
InRetail Pharma S.A. Shareholders		69,120	16,932
Non-controlling interest		-	(1,527)
Net profit		69,120	15,405
Earnings per share:			
Basic and diluted profit for the period	20	4.364	1.228

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 three-month periods ended March 31, 2019 and 2018

	2019	2018
	S/(000)	S/(000)
Profit for the period	69,120	15,405
Other comprehensive income		
Unrealized gain on investments at fair value through equity	8,846	-
Transfer of realized gain on investments at fair value through equity to result of the period	-	(397)
Income tax effect	(2,610)	117
Total other comprehensive income from investments at fair value through equity	6,236	(280)
Unrealized gain from derivative financial instrument	18,467	-
Income tax effect	(5,447)	-
Total comprehensive income from derivative financial instruments	13,020	-
Unrealized loss from foreign currency translation	(24)	(579)
Total comprehensive income from foreign currency translation	(24)	(579)
Other comprehensive income for the period, net of income tax effects	19,232	(859)
Total comprehensive income for the period	88,352	14,546

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 three-month periods ended March 31, 2019 and 2018

	Capital stock	Capital premium	Other reserves	Unrealized results on derivative financial instrument	Unrealized results on investment at fair value	Unrealized results on foreign currency translation	Retained earnings	Total equity	Non-controlling interest	Total equity
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Balance as of January 1, 2018	13,784	3,391	2,449	-	280	-	104,483	124,387	-	124,387
Profit for the period	-	-	-	-	-	-	16,932	16,932	(1,527)	15,405
Other comprehensive income	-	-	-	-	(280)	(423)	-	(703)	(156)	(859)
Total comprehensive income	-	-	-	-	(280)	(423)	16,932	16,229	(1,683)	14,546
Non-controlling participation arising from the acquisition of subsidiary company	-	-	-	-	-	-	-	-	481,500	481,500
Balance as of March 31, 2018	13,784	3,391	2,449	-	-	(423)	121,415	140,616	479,817	620,433
Balance as of January 1, 2019	15,840	482,835	2,449	(12,356)	2,237	6	108,055	599,066	-	599,066
Effect first adoption IFRS 16	-	-	-	-	-	-	5,429	5,429	-	5,429
Balance as of January 1, 2019 after IFRS 16	15,840	482,835	2,449	(12,356)	2,237	6	113,484	604,495	-	604,495
Profit for the period	-	-	-	-	-	-	69,120	69,120	-	69,120
Other comprehensive income	-	-	-	13,020	6,236	(24)	-	19,232	-	19,232
Total comprehensive income	-	-	-	13,020	6,236	(24)	69,120	88,352	-	88,352
Other	-	-	-	-	-	-	-	-	-	-
Balance as of March 31, 2019	15,840	482,835	2,449	664	8,473	(18)	182,604	692,847	-	692,847

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 three-month periods ended March 31, 2019 and 2018

	2019 S/(000)	2018 S/(000)
Operating activities		
Revenue	1,690,542	1,349,250
Payment of goods and services to suppliers	(1,368,773)	(1,088,221)
Payment of salaries and social benefits to employees	(190,521)	(167,432)
Taxes paid	(30,843)	(20,149)
Other (payments) collections, net	(15,799)	13,916
Net cash flows from operating activities	84,606	87,364
Investing activities		
Sales of investments at fair value through equity	-	46,812
Purchase of investments at fair value through equity	1,000	-
Purchase of Subsidiary	-	(1,871,430)
Purchase of property, furniture and equipment, net of acquisitions through leasing contracts	(3,587)	(4,350)
Loans granted to related parties	-	(1,039,738)
Purchase and development of intangible assets	(1,101)	(21,890)
Other collections related to investing activities	2,029	-
Net cash flows used in investing activities	(1,659)	(2,890,596)
Financing activities		
Proceeds from interest-bearing loans and borrowings, net of structuring cost	83,287	3,241,050
Payment of lease liability	(44,202)	-
Capital contribution of non-controlling interest	-	481,500
Payment of interest-bearing loans and borrowings	(106,044)	(345,253)
Interest payment of lease liability	(10,467)	-
Interest paid	(5,480)	(25,794)
Net cash flows (used in) from financing activities	(82,906)	3,351,503
Net increase of cash and short-term deposits	41	548,271
Cash and short-term deposits at the beginning of the period	475,136	44,305
Cash and short-term deposits at the end of the period	475,177	592,576
Non-cash transactions		
Fixed assets purchased through leasing and other financial obligations	-	6,661
Initial recorded of right-of-use asset	731,670	-

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 March 31, 2019 and December 31, 2018 and for the three month period ended March 31, 2019 and 2018

1. Business activity

InRetail Pharma S.A. (formerly Eckerd Perú S.A. and, hereinafter “the Company”), was incorporated in October 2, 1996. As of March 31, 2019 and December 31, 2018, the Company is a subsidiary of InRetail Peru Corp. which holds 87.02 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 Quicop 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.

In December 2017, the Company incorporated IR Pharma S.A.C. (formerly Chakana Salud S.A.C.), in order to execute 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 March 31, 2019 and 2018 were approved by the Board of Directors on May 9, 2019.

2. Quicorp Group acquisition

In December 2017, the Company (as the Parent Company) incorporated IR Pharma S.A.C., for the acquisition of 100 percent of Quicop 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.C., 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.C. 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\$591,351,000 equivalent to S/1,898,258,000, which was partially funded with a US\$1,000,000 bridge loan at one-year maturity, and at 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.

The acquisition of Quicorp Group was accounted in accordance with IFRS 3 "Business Combination", by applying the purchase accounting method; as a result, the assets and liabilities acquired including certain intangibles assets not recorded by acquired companies were recorded at the fair value on the date of their acquisition.

Below are the net book value and the adjustment at fair value of the identifiable assets and liabilities of the acquired entity at the acquisition date:

	Fair value reconized on acquisition
	S/(000)
Net book value of the assets acquired	408,205
Value assigned to brands	449,014
Other acquired intangibles	251,100
Increase in inventory for fair value adjustment	23,136
Increase in property, plant and equipment for fair value adjustment	57,659
Increase in debt for fair value adjustment	(4,799)
Re-allocation of goodwill, brands and other assets net of previous acquisitions	(337,359)
Deferred income tax	(221,335)
Total indentifiable net assets at fair value	625,621
Goodwill from acquisition, see Note 11	1,272,634
Purchase consideration transferred	1,898,255

Notes to the interim consolidated financial statements (continued)

3. Subsidiary activities

The Company and its Subsidiaries (hereinafter the "InRetail Pharma Group") are dedicated to the commercialization, manufacturing, distribution and marketing, 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 2,062 stores as of March 31, 2019 (2,063 stores as of December 31, 2018) and have operations in Peru, Colombia, Ecuador and Bolivia.

The description of the activities of the main Subsidiaries of the Company are as follows:

- (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. 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. 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.
- (d) Quicop S.A. is a Holding incorporated in 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 legal address 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 and, chemical nationwide, as well as other consumer 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.

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

Notes to the interim consolidated financial statements (continued)

ii. Cifarma S.A.C.

It was incorporated in Peru on July 1, 1992. It is a Subsidiary of Química Suiza S.A.C., which owns 99.99% of its capital since 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.

Cifarma S.A.C. provides 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.C., 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.

On April, 30, 2013, Mifarma S.A.C. acquired 98% of shares of Empresa Comercializadora Mifarma S.A. becoming 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 Farmacias Peruanas S.A.C. was agreed, in which Mifarma would act as the acquiring company, therefore Farmacias Peruanas S.A.C. would be extinguished without the need to be dissolved or liquidated.

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

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. was approved.

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.C. 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.

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

vi. Vanttive S.A.C.

It was incorporated in Peru on July 11, 2012. It is a direct Subsidiary of Quimica Suiza S.A.C., 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.C.

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 deemed appropriate related to its majority interests in the General Stockholders' Meeting of the subsidiaries Farmacias Peruanas S.A.C. (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. However, 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.C. 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 deemed 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 July 31, 2018, the merger of Mifarma S.A.C. with Droguería la Victoria S.A.C. was approved.

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, nutrition, 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 is a distributor in the cities of Tarija, Oruro, and Potosí, as well as a distribution center in Santa Cruz, Bolivia. In addition, it has 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 merger 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.C., 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 March 31, 2019 and December 31, 2018, 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 investments at fair value through equity that have been measured at fair value. The consolidated financial statements are presented in Soles and all values are rounded to the nearest thousand (S/(000)), except when otherwise indicated.

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

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, 2018.

(c) New accounting standards

The accounting policies adopted in the preparation of the interim combined financial statements are consistent with those followed in the preparation of the Companies annual combined financial statements for the year ended December 31, 2018, except for the adoption of the new standards and interpretations as of January 1, 2019.

The standards and amendments, and improvements to the standards that are issued, and 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 in January 1, 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 have not had a significant impact on its consolidated statement of financial position and net 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 January 1, 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.

Notes to the interim consolidated financial statements (continued)

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.

(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 of goods".

(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.

Notes to the interim consolidated financial statements (continued)

(iii) IFRS 16 "Leases" –

IFRS 16 deals with the identification of leases, as well as its accounting treatment for tenants and landlords. Under this IFRS, operating leases are recognized on the Statement of Financial Position, increasing assets and liabilities, as if they were leveraged asset acquisitions.

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

As of the date of the consolidated financial statements, the implementation of this standard in the InRetail Pharma Group has increased the assets in S/732,567,000, generated a higher depreciation expense of S/50,474,000 a lower asset from foreign currency translation of S/415,000, presenting a balance of right-of-use asset of S/681,678,000. As well as a higher financial expense of S/10,467,000.

As of the date of the consolidated financial statements, the implementation of this standard, has also increased the lease liability in S/732,567,000, it has been amortized by S/44,202,000, has decreased by exchange difference S/6,511,000 and decreased by foreign currency translation S/406,000, generating an ending balance as of March 31, 2019 of S/681,448,000.

Likewise, the cost and sale expenses of rental income presents a decrease of S /54,669,000.

(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.
- 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.

Notes to the interim consolidated financial statements (continued)

- 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:

	As of March 31, 2019	As of December 31, 2018
	S/(000)	S/(000)
Cash (b)	5,407	5,285
Current accounts (c)	362,364	375,139
Time deposits (d)	70,384	50,203
Cash in transit	37,022	44,509
Total	475,177	475,136

- (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.
- (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) As of March 31, 2019, the time deposits are freely available and are kept in local and foreign banks in Soles and US Dollars, have maturities up to one month since inception and bear annual interest rates between 1.70 and 4.87 percent in Soles and 1.90 percent in US Dollars (between 2.95 and 4.30 percent in Soles as of December 31, 2018).

Notes to the interim consolidated financial statements (continued)

6. Trade receivables, net

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

	As of March 31, 2019 S/(000)	As of December 31, 2018 S/(000)
Trade accounts receivable (c)	496,843	535,140
Credit card operators (d)	18,552	7,841
Others	1,003	447
Total	516,398	543,428
Provision for doubtful accounts (e)	(46,526)	(45,519)
Total	469,872	497,909

(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 three-months periods ended March 31, 2019 and 2018, were as follows:

	2019 S/(000)	2018 S/(000)
Balance at the beginning of the period	45,519	57
Subsidiary acquisition	-	51,054
Provision recognized as expense, Note 17 (a)	6,850	2,069
Recoveries, Note 17 (a)	(4,908)	(1,443)
Write-offs	(640)	(1,549)
Foreign currency translation	(296)	(59)
Others	1	-
Balance at the end of the period	46,526	50,129
Balance as of December 31, 2018		45,519

As of March 31, 2019 and December 31, 2018, the amount of overdue account receivables but not impaired amounted to approximately S/73,112,000 and S/80,401,000, respectively.

In the opinion of Management of the InRetail Pharma Group, the provision for doubtful accounts receivable as of March 31, 2019 and December 31, 2018, appropriately covers the credit risk of this item at those dates.

Notes to the interim consolidated financial statements (continued)

7. Inventories, net

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

	As of March 31, 2019	As of December 31, 2018
	S/(000)	S/(000)
Goods, Note 17 (a)	982,120	1,022,755
In transit inventories (b)	24,218	28,927
Raw material, Note 17 (a)	11,969	11,796
Miscellaneous supplies	2,494	2,534
Miscellaneous supplies for manufacturing, Note 17 (a)	1,075	1,075
Finished goods, Note 17 (a)	382	672
Total	1,022,258	1,067,759
Minus		
Provision for impairment of inventories (c)	(17,015)	(10,763)
Total	1,005,243	1,056,996

(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 three-month periods ended March 31, 2019 and 2018, is as follows:

	2019	2018
	S/(000)	S/(000)
Balance at the beginning of the period	10,763	6,470
Subsidiary acquisition	-	26,787
Provision of the period, Note 17 (a)	6,320	6,627
Recovery	(25)	-
Write-off	-	(8,046)
Foreign currency translation	(43)	-
Balance at the end of the period	17,015	31,838
Balance as of December 31, 2018		10,763

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 Pharma, Group.

8. Investment at fair value through equity

As of March 31, 2019, the Company has other investments at fair value through equity for an amount of US\$13,608,000 equivalent to S/45,125,000 (US\$10,787,000 equivalent to S/36,338,000 as of December 31, 2018).

As of March 31, 2019 and December 31, 2018, the unrealized result net of deferred tax is S/8,473,000 and S/2,237,000 respectively and is presented in the consolidated statement of changes in equity.

9. Derivative financial instruments

As of March 31, 2019 and December 31, 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 value	Due	Pay fix at	Book value of the hedged item	Fair value 2019	Fair value 2018
	US\$(000)		%	S/(000)	S/(000)	S/(000)
CitiBank N.A.	400,000	May-23	1.27	1,320,000	79,254	86,694
Total					79,254	86,694

In April 2018, InRetail Pharma S.A. decided to hedge operations through a Foreign Currency Call Spread for the financial obligations of the "Senior Notes Unsecured", 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. From the date of issuance of the "Senior Notes Unsecured", it was classified as an effective hedging instrument for the purposes of IFRS 9. See Note 13 (b).

As of March 31, 2019 and December 31 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 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:

	Right-of-use asset S/(000)	Land S/(000)	Building infrastructure and facilities S/(000)	Furniture and fixture S/(000)	Vehicles S/(000)	Miscellaneous equipment S/(000)	Work in progress S/(000)	Total 2019 S/(000)	Total 2018 S/(000)
Cost									
Initial balance	-	257,346	349,236	132,271	2,085	351,549	5,560	1,098,047	406,707
Subsidiary acquisition	-	-	-	-	-	-	-	-	729,807
First adoption of IFRS 16	731,670	-	-	-	-	-	-	731,670	-
Additions (b)	897	-	191	153	-	988	2,255	4,484	37,478
Sales	-	-	(125)	(579)	-	(1,182)	-	(1,886)	(9,440)
Disposal	-	-	(755)	(457)	-	(2,557)	-	(3,769)	(68,639)
Transfer	-	-	216	105	-	30	(351)	-	-
Foreign currency translation	(408)	-	(78)	(193)	1	(744)	(6)	(1,428)	2,134
Final balance	732,159	257,346	348,685	131,300	2,086	348,084	7,458	1,827,118	1,098,047
Accumulated depreciation									
Initial balance	-	-	174,439	90,025	1,365	243,321	-	509,150	197,350
Subsidiary acquisition	-	-	-	-	-	-	-	-	300,518
Additions (d)	50,474	-	8,668	2,372	72	7,671	-	69,257	71,162
Sales (c)	-	-	(120)	(459)	-	(1,087)	-	(1,666)	(5,314)
Disposals(c)	-	-	(362)	(340)	-	(2,493)	-	(3,195)	(56,170)
Foreign currency translation	7	-	(43)	(148)	-	(554)	-	(738)	1,604
Final balance	50,481	-	182,582	91,450	1,437	246,858	-	572,808	509,150
Net book value	681,678	257,346	166,103	39,850	649	101,226	7,458	1,254,310	588,897

(b) Additions for the three-month periods ended March 31, 2019 and 2018, 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 (expenses) net" caption of the consolidated income statement, respectively.

Notes to the interim consolidated financial statements (continued)

- (d) Depreciation expense for the three-month period ended March 31, 2019 and 2018, was recorded as follows in the income statement:

	2019	2018
	S/(000)	S/(000)
Sales expenses, Note 17 (a)	60,591	14,010
Administrative expenses, Note 17 (a)	6,293	2,362
Cost of sales, Note 17 (a)	2,373	-
Balance as of March 31	69,257	16,372
Balance as of December 31, 2018		71,162

- (e) As of March 31, 2019 the cost and corresponding accumulated depreciation of assets acquired through finance leases amount to approximately S/128,659,000 and S/74,747,000, respectively (S/129,466,000 and S/72,876,000, as of December 31, 2018).
- (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 March 31,	As of December 31,
	2019	2018
	S/(000)	S/(000)
Cost		
Initial balance	850,430	53,087
Subsidiary acquisition	-	783,306
Additions (c)	1,101	27,658
Disposal and/or sales	(10)	(13,811)
Foreign currency translation	(86)	190
Final balance	851,435	850,430
Accumulated amortization		
Initial balance	111,605	25,780
Subsidiary acquisition	-	61,780
Additions (d)	10,057	37,333
Disposals and/or sales	(10)	(13,437)
Foreign currency translation	(62)	149
Final Balance	121,590	111,605
Goodwill		
Initial balance	1,272,634	-
Additions (b)	-	1,272,634
Final balance	1,272,634	1,272,634
Net, book value	2,002,479	2,011,459

- (b) As of March 31, 2019 and December 31, 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\$591,351,000 equivalent to S/1,898,255,000 at the date of acquisition. See Note 2.
- (c) As of March 31, 2019 and December 31, 2018, additions mainly correspond to: (i) disbursements for the acquisition of a commercial software program, a general planning system (ERP) and related licenses; (ii)

Notes to the interim consolidated financial statements (continued)

disbursements for implementation of software and licenses in new stores of InRetail Group and (iii) recognition of trademarks and other intangibles from the acquisition of the Quicorp Group, see Note 2.

(d) Amortization expense for the three-month periods ended March 31, 2019 and 2018 has been recorded in the following items of the combined statements:

	2019 S/(000)	2018 S/(000)
Sales expenses, Note 17 (a)	8,987	1,755
Administrative expenses, Note 17 (a)	1,024	658
Cost of sales, Note 17 (a)	46	-
Balance as of March 31	10,057	2,413
Balance as of December 31, 2018		37,333

12. Trade payables

The table below presents the composition of this caption:

	As of March 31, 2019 S/(000)	As of December 31, 2018 S/(000)
Bills payable from purchase of goods	1,316,622	1,427,218
Bills payable from commercial services	183,686	240,759
Total	1,500,308	1,667,977

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 this caption:

Type of obligation	Original currency	Interest rate %	Final maturity	Original amount		Total		Current		Non-current		
				US\$ (000)	\$ (000)	2019	2018	2019	2018	2019	2018	
					S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	
Senior Notes Unsecured (b)												
Senior Notes Unsecured	PEN	6.438	2025	-	-	385,800	383,481	383,390	-	-	383,481	383,390
Senior Notes Unsecured	USD	5.375	2023	400,000	-	-	1,309,121	1,330,899	-	-	1,309,121	1,330,899
				<u>400,000</u>	<u>-</u>	<u>385,800</u>	<u>1,692,602</u>	<u>1,714,289</u>	<u>-</u>	<u>-</u>	<u>1,692,602</u>	<u>1,714,289</u>
Leasings												
Related entities												
Banco Internacional del Perú-Interbank	PEN	7.850	2019	-	-	27,412	2,665	4,219	2,665	4,219	-	-
Non related entities												
BBVA Banco Continental	PEN	Between 5.900 and 6.900	2019	-	-	1,717	-	69	-	69	-	-
Banco Santander del Perú	PEN	7.650	2022	-	-	874	645	686	168	165	477	521
Banco de Crédito del Perú	PEN	5.550	2021	-	-	399	337	370	129	130	208	240
Banco Scotiabank	PEN	7.550	2019	-	-	12,528	83	114	83	114	-	-
Banco de Crédito del Perú	PEN	7.560	2020	-	-	111	65	75	38	37	27	38
BBVA Banco Continental	PEN	Between 4.950 and 7.500	2019 and 2021	-	-	887	264	323	212	259	52	64
Banco Santander del Perú	PEN	Between 8.330 and 8.550	2019 and 2020	-	-	1,328	72	162	53	123	19	39
				<u>-</u>	<u>-</u>	<u>45,256</u>	<u>4,131</u>	<u>6,018</u>	<u>3,348</u>	<u>5,116</u>	<u>783</u>	<u>902</u>

Notes to the interim consolidated financial statements (continued)

Type of obligation	Original currency	Interest rate %	Final maturity	Original amount			Total		Current		Non-current	
				US\$ (000)	\$ (000)	S/(000)	2019	2018	2019	2018	2019	2018
							S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Notes and Loans												
Related entities												
Banco Internacional del Perú-Interbank	PEN	4.700	2025	-	-	161,950	143,560	149,302	22,970	26,824	120,590	122,478
Non related entities												
BBVA Banco Continental	PEN	4.110	2019	-	-	17,000	-	17,000	-	17,000	-	-
BBVA Banco Continental (d)	PEN	3.980	2019	-	-	15,000	15,000	-	15,000	-	-	-
Banco de Crédito del Perú	PEN	3.990	2019	-	-	15,000	-	15,000	-	15,000	-	-
Banco Scotiabank	PEN	Between 3.900 and 4.000	2019	-	-	29,000	-	29,000	-	29,000	-	-
Banco Scotiabank (c)	PEN	4.150	2019	-	-	6,000	6,000	-	6,000	-	-	-
Citibank Peru	PEN	Between 3.650 and 3.750	2019	-	-	40,000	40,000	-	40,000	-	-	-
Banco de Crédito del Perú	PEN	4.890	2019	-	-	400	-	400	-	400	-	-
BBVA Banco Continental	PEN	Between 4.120 and 4.300	2019	-	-	3,000	3,000	3,000	3,000	3,000	-	-
BBVA Banco Continental	PEN	4.440	2019	-	-	400	400	-	400	-	-	-
Banco Bolivariano (h)	USD	Between 7.620 and 8.900	2019 and 2020	6,000	-	-	12,868	16,050	10,794	11,826	2,074	4,224
Banco Guayaquil (k)	USD	8.260	2019	5,000	-	-	5,334	7,173	5,334	7,173	-	-
Banco Guayaquil	USD	7.930	2019	1,000	-	-	-	585	-	585	-	-
Banco Internacional (g)	USD	Between 8.500 and 9.120	2019	3,500	-	-	11,624	11,827	11,624	11,827	-	-
Banco Pacífico (i)	USD	8.090	2020	1,000	-	-	1,471	1,780	1,163	1,145	308	635
Banco Pichincha (f)	USD	8.950	2019	3,500	-	-	11,624	11,827	11,624	11,827	-	-
Banco Pichincha (f)	USD	Between 7.950 and 8.950	2019	4,000	-	-	-	13,516	-	13,516	-	-
Banco Pichincha (f)	USD	8.950	2019	4,000	-	-	13,284	-	13,284	-	-	-
Produbanco (j)	USD	8.230	2022	5,000	-	-	10,462	11,441	3,248	3,315	7,214	8,126
Banco Pichincha	USD	7.950	2019	300	-	-	-	1,014	-	1,014	-	-
Banco Pichincha (f)	USD	8.950	2019	200	-	-	664	676	664	676	-	-
BBVA Colombia (e)	COP	6.960	2019	-	2,900,000	-	3,034	3,015	3,034	3,015	-	-
Banco Scotiabank (c)	PEN	4.700	2025	-	-	161,950	143,583	149,326	22,973	26,828	120,610	122,498
				33,500	2,900,000	449,700	421,908	441,932	171,112	183,971	250,796	257,961
Call Spread financing, Note 9												
Citibank N.A	USD	6.473	2023	21,794	-	-	55,561	56,532	15,720	13,156	39,841	43,376
				21,794	-	-	55,561	56,532	15,720	13,156	39,841	43,376
Other obligations (l)												
IBM Perú SAC	USD	2.170	2019	335	-	-	18	37	18	37	-	-
Hewlett Packard S.A.	USD	2.930	2021	12,084	-	-	13,594	15,802	7,347	7,901	6,247	7,901
				12,419	-	-	13,612	15,839	7,365	7,938	6,247	7,901
Total				467,713	2,900,000	880,756	2,187,814	2,234,610	197,545	210,181	1,990,269	2,024,429

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/1,328,400,000 (equivalent to S/1,351,600,000 as of December 31, 2018) 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 5.778 percent, after considering the respective up-front fees that amounted to US\$5,805,000 equivalent to approximately S/19,279,000 as of March 31, 2019 (US\$6,144,000 equivalent to approximately S/20,701,000 as of December 31, 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 6.559 percent, after considering the respective up-front fees that amounted to S/2,319,000 as of March 31, 2019 (S/2,410,000 as of December 31, 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 March 31, 2019 and December 31, 2018. Likewise, 100 percent of the "Senior Notes Unsecured" is guaranteed by the shares of InRetail Pharma S.A. and Subsidiaries.

- (c) Scotiabank Perú
Química Suiza S.A.C.
It corresponds to a loan amounting to S/6,000,000 with maturity in April 2019. The annual accrued interest rate is 4.150 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.C.
It corresponds to a loan amounting to S/15,000,000 with maturity in April. The annual accrued interest rate is 4.110 percent.

- (e) BBVA Colombia
Quideca S.A.
As of March 31, 2019, the company had financial obligations with BBVA for an amount of \$2,900,000 under an annual fixed effective interest rate of 6.960 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 Pichincha
Vantive Cía Ltda.
It corresponds to a loan amounting to US\$200,000 with maturity in May 2019. The annual accrued interest rate is 8.950 percent annual.
- Quifatex S.A.
It corresponds to six loans amounting to US\$7,500,000 with maturities during 2019 and the accrued interest rate is 8.950 percent annual.
- (g) Banco Internacional
Quifatex S.A.
It corresponds to three loans amounting to US\$3,500,000 with maturities in May and September 2019. The annual accrued interest rate is between 8.500 and 9.120 percent.
- (h) Banco Bolivariano
Quifatex S.A.
It corresponds to two loans amounting to US\$6,000,000 with maturities in April 2020 and the annual accrued interest rate is between 7.620 and 8.900 percent.
- (i) Banco Pacífico
Quifatex S.A.
It corresponds to a loan amounting to US\$1,000,000 with maturity in May 2020 and the annual accrued interest rate is 8.090 percent.
- (j) 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 8.230 percent annual.
- (k) Banco Guayaquil
Quifatex S.A.
It corresponds to a loan amounting to US\$5,000,000 maturing in December 2019. It accrues interest at an annual rate is 8.260 percent.
- (l) 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.
- (m) During the three-month-periods ended March 31, 2019 and 2018, loans and borrowings accrued interest which is recorded in the "Finance costs" caption of the consolidated income statements, see Note 18. Also, as of March 31, 2019 and December 31, 2018, there are interests payable which are recorded in the "Other payables" caption of the consolidated statements of financial position.
- (n) 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 March 31, 2019 and December 31, 2018, standard clauses do not limit the normal operation of the InRetail Pharma Group and have been fulfilled.

Notes to the interim consolidated financial statements (continued)

(o) Financial obligations are payable as follows:

	2019	2018
	S/ (000)	S/ (000)
2019	178,173	210,181
2020	69,797	62,802
2021	65,239	65,474
2022	60,151	59,925
2023 onwards	1,814,454	1,836,228
Total	2,187,814	2,234,610

14. Income tax

(a) The amounts presented in the statement of financial position as of March 31, 2019 and December 31, 2018, as well as the consolidated income statements for the three-month periods ended March 31, 2019 and 2018 are shown below:

Statements of financial position	As of March 31, 2019		As of December 31, 2018	
	Assets S/(000)	Liabilities S/(000)	Assets S/(000)	Liabilities S/(000)
InRetail Pharma S.A. (formerly Eckerd Perú)	-	9,025	-	10,508
Eckerd Amazonia S.A.C.	1,257	-	1,207	-
Boticas del Oriente S.A.C.	1,154	-	1,116	-
Química Suiza S.A.C	-	43,749	-	43,312
Cifarma S.A.C.	40	-	-	36
Vanttive S.A.C.	214	-	249	-
Quifatex S.A.	4,145	-	4,170	-
Vanttive Cía Ltda.	40	-	37	-
Quimiza Ltda.	792	-	747	-
Quideca S.A.	626	-	613	-
Mifarma S.A.C.	19,059	-	19,069	-
Albis S.A.C.	27,768	-	30,132	-
Jorsa de la Selva S.A.C.	1,939	-	2,300	-
Empresa Comercializadora Mifarma Bolivia	56	-	62	-
Adjustment consolidation	-	202,221	-	209,853
Total	57,090	254,995	59,702	263,709

Statements of comprehensive income	Income tax for the three-month periods ended March 31, 2019 and 2018	
	2019 S/(000)	2018 S/(000)
Current	(42,462)	(15,975)
Deferred	16,512	(702)
Income tax expense	(25,950)	(16,677)

(b) As of March 31, 2019 and December 31, 2018, the liability for income tax, net of the advanced tax, amount to approximately S/10,487,000 and S/10,665,000, respectively. Also, as of March 31, 2019 and 2018, the income tax credit amounts to approximately S/100,365,000 and S/96,691,000, respectively.

Notes to the interim consolidated financial statements (continued)

15. Equity

- (a) Capital stock –
As of March 31, 2019 and December 31, 2018, the capital stock of the Company is represented by 15,839,379 common shares, with a nominal value of S/1.00 each, 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 March 31, 2019 and 2018, 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.

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 March 31, 2019 and December 31, 2018, the income tax rate was:

Country	%
Perú	29.5
Ecuador	28.0
Bolivia	25.0
Colombia	33.0

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:

Notes to the interim consolidated financial statements (continued)

- (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 March 31, 2019 and December 31, 2018.
- (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:

	Income Tax	Value added tax
InRetail Pharma S.A. (formerly Eckerd Perú S.A.)	From 2014 to 2018	From 2015 to 2018
Eckerd Amazonía S.A.C.	From 2014 to 2018	From 2015 to 2018
Boticas del Oriente S.A.C.	From 2014 to 2018	From 2013 to 2018
Química Suiza Comercial S.A.C.	From 2014 to 2018	From 2014 to 2018
Quicorp S.A.C.	From 2014 to 2018	From 2014 to 2018
Superfarma Mayorista S.A.C.	From 2016 to 2018	From 2016 to 2018
Vanttive S.A.C.	From 2014 to 2018	From 2014 to 2018
Cifarma S.A.C.	From 2014 to 2018	From 2015 to 2018
Vanttive Cia Ltda.	From 2015 to 2018	From 2015 to 2018
Química Suiza S.A.C.	From 2016 to 2018	From 2014 to 2018
Quifatex S.A.	From 2015 to 2018	From 2015 to 2018
Quideca S.A.	From 2013 to 2018	From 2017 to 2018
Quimiza Ltda.	From 2013 to 2018	From 2013 to 2018
Droguería La Victoria S.A.C.	From 2014 to 2018	From 2015 to 2018
Jorsa de la Selva S.A.C.	From 2014 to 2018	From 2014 to 2018
Mifarma S.A.C.	From 2014 to 2018	From 2015 to 2018
Albis S.A.C.	From 2015 to 2018	From 2015 to 2018
Botica Torres de Limatambo S.A.C.	From 2015 to 2018	From 2015 to 2018
Empresa Comercializadora Mifarma Bolivia S.A.	From 2010 to 2018	From 2010 to 2018
Patrimonio Fideicomiso Mercantil de acciones Quifatex S.A.	From 2016 to 2018	From 2016 to 2018
Farmacias Peruanas S.A.C.	From 2016 to 2018	From 2016 to 2018

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 March 31, 2019 and December 31, 2018.

Notes to the interim consolidated financial statements (continued)

- (f) As of March 31, 2019 and 2018, estimated losses from previous periods for Subsidiaries for tax purposes are the following:

	As of March 31, 2019	As of December 31, 2018
	S/(000)	S/(000)
Albis S.A.C.	79,898	87,871
Jorsa de la Selva S.A.C.	4,716	3,813
Superfarma Mayorista S.A.C.	1,683	1,035
Vanttive S.A.C.	536	674
Total	86,833	93,393

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. and 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 three-month periods ended March 31, 2019 and 2018:

	2019 S/(000)	2018 S/(000)
Cost of sales	1,186,748	974,955
Selling expenses	318,534	289,299
Administrative expenses	66,389	65,491
Total	1,571,671	1,329,745

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

	2019			
	Cost of sales S/(000)	Selling expenses S/(000)	Administrative expenses S/(000)	Total S/(000)
Initial balance of goods, Note 7 (a)	1,022,755	-	-	1,022,755
Initial balance of raw material, Note 7 (a)	11,796	-	-	11,796
Initial balance of suppliers, Note 7 (a)	1,075	-	-	1,075
Initial balance of finished goods, Note 7 (a)	672	-	-	672
Purchase of goods and suppliers	-	-	-	-
Final balance of goods, Note 7 (a)	1,121,766	-	-	1,121,766
Final balance of raw materials, Note 7 (a)	(982,120)	-	-	(982,120)
Final balance of suppliers, Note 7 (a)	(11,969)	-	-	(11,969)
Final balance of finished goods, Note 7 (a)	(1,075)	-	-	(1,075)
Impairment of inventories Note 7 (c)	(382)	-	-	(382)
Factory overhead	6,320	-	-	6,320
Personnel expenses	-	-	-	-
Depreciation, Note 10 (d)	9,107	147,339	42,823	199,269
Depreciation of right-of-use asset, Note 10 (d)	1,005	15,681	2,097	18,783
Amortization, Note 11 (d)	1,368	44,910	4,196	50,474
Key money amortization	-	-	-	-
Services provided by third parties (b)	-	1,188	-	1,188
Advertising	-	58,123	9,070	67,193
Packing and packaging	-	12,152	3	12,155
Rental of premises	-	3,395	26	3,421
Taxes	-	12,805	552	13,357
Provision for doubtful trade receivables, Note 6(e)	-	2,171	3,019	5,190
Recoveries, Note 6 (e)	-	-	-	-
Insurance	-	(4,908)	-	(4,908)
Other charges (c)	-	2,989	184	3,173
Total	1,185,902	311,680	62,996	1,560,578

Notes to the interim consolidated financial statements (continued)

	2018			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods	-	-	-	-
Subsidiary acquisition	378,527	-	-	378,527
Purchase of goods	724,128	-	-	724,128
Final balance of goods	835,075	-	-	835,075
Final balance of raw materials	(962,249)	-	-	(962,249)
Final balance of suppliers	(7,692)	-	-	(7,692)
Final balance of finished goods	(1,260)	-	-	(1,260)
Impairment of inventories, Note 7 (c)	(95)	-	-	(95)
Cost of services	6,627	-	-	6,627
Personnel expenses	1,894	-	-	1,894
Depreciation, Note 10 (d)	-	138,660	28,772	167,432
Amortization, Note 11 (d)	-	-	-	-
Key money amortization	-	1,755	658	2,413
Services provided by third parties (b)	-	-	-	-
Advertising	-	57,048	27,721	84,769
Packing and packaging	-	7,308	39	7,347
Rental of premises	-	3,259	40	3,299
Taxes	-	55,510	1,059	56,569
Provision for doubtful trade receivables, Note 6(e)	-	1,603	2,094	3,697
Recovery of provision for doubtful	-	2,012	57	2,069
Insurance	-	(1,402)	(41)	(1,443)
Other charges (c)	-	1,867	189	2,056
Total	974,955	268,742	60,588	1,304,285

(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:

	2019	2018
	S/(000)	S/(000)
Interest on loans, borrowings and bonds payable	28,843	27,288
Interest on loans of related parties	1,806	-
Interest on lease liability	10,467	-
Accrual of the cost of structuring of financial obligation	1,265	-
Interest from derivative instruments "Call Spread"	889	-
Derivative financial instruments loss measure to fair value	2,707	-
Other financial costs	3,291	1,478
Total	49,268	28,766

Notes to the interim consolidated financial statements (continued)

- (b) As of March 31, 2019 and December 31, 2018, there are interest payable for these obligations for approximately S/46,154,000 and S/20,864,000, respectively, which are recorded in the "Other payables" caption of the consolidated statements of financial position.

19. Transactions with related parties

- (a) The following table provides the total amount of transactions that have been entered into with related parties for the three-month periods ended as of March 31, 2019 and 2018:

	2019 S/(000)	2018 S/(000)
Income		
Sales	10,631	3,165
Rendering of services	86	-
Interest income	-	9,944
Other	497	85
Total	11,214	13,194
Expenses		
Renting of premises and land	-	3,324
Reimbursement of expenses	1,244	810
Other services	741	3,466
Interest	1,783	186
Others	1,700	1,855
Total	5,468	9,641

- (b) As a result of the transactions with related companies, the InRetail Pharma Group recorded the following balances as of March 31, 2019 and December 31, 2018:

	As of March 31, 2019 S/(000)	As of December 31, 2018 S/(000)
Receivables		
Supermercados Peruanos S.A. (e)	8,515	2,724
InRetail Shopping Malls	58	60
Homecenters Peruanos S.A. (e)	136	121
Homecenters Oriente S.A.C	13	11
Financiera Oh! S.A.	37	75
InRetail Consumer	-	54
Plaza Vea Oriente S.A.C.	444	266
Others	-	3,501
Total	9,203	6,812

Notes to the interim consolidated financial statements (continued)

	As of March 31, 2019	As of December 31, 2018
	S/(000)	S/(000)
Payables		
Homecenters Peruanos S.A.	4	5
InRetail Perú Corp.	-	30
Financiera Oh! S.A.	833	416
Tiendas Peruanas S.A.	-	10
Tiendas Peruanas Oriente S.A.C.	24	13
Homecenters Oriente S.A.C.	-	1
Real Plaza S.R.L.	106	46
Supermercados Peruanos S.A.	1,327	2,056
IR Management S.R.L.	248	250
Patrimonio Interproperties Holding I	377	131
Inmobiliaria Puerta del Sol S.A.	16	13
Others	237	371
Total	3,172	3,342

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 March 31, 2019 and December 31, 2018, 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/1,039,738,000 at transaction date, this loan was used for the prepayment of the "Senior Notes Unsecured" that accrues an annual interest of 5.50 percent and is due in January 2019. On April 2018, this loan was fully paid.
- (e) Corresponds to the balances pending for the sale of goods of Química Suiza S.A.C. as of March 31, 2019.
- (f) Banco Internacional del Perú – Interbank signed leasing contracts with InRetail Pharma S.A. which to date have outstanding balances of approximately S/2,665,000. 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 three-month periods ended March 31, 2019 and 2018, 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 three-month periods ended March 31, 2019 and 2018, is detailed below:

	2019	2018
	S/(000)	S/(000)
Short term employee benefits	9,005	10,454
Insurance and medical benefits	5	15
Employment benefits for contract termination	3,014	301
Total	12,024	10,770

Notes to the interim consolidated financial statements (continued)

- (h) As of March 31, 2019 and December 31, 2018, the InRetail Pharma Group maintains the following balances in the cash and cash equivalent captions:

	2019 S/(000)	2018 S/(000)
Banco Internacional del Peru – Interbank S.A.A.	274,094	251,156
Inteligo Bank Ltd.	-	11
Interfondos	-	1,000

20. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the three-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:

	Ordinary shares		
	Outstanding shares	Effective days until period-end	Weighted average of shares
Number as of January 1, 2018	13,783,428	90	13,783,428
Number as of March 31, 2018	13,783,428		13,783,428
Number as of January 1, 2019	15,839,379	90	15,839,379
Number as of March 31, 2019	15,839,379		15,839,379
	For the three-month-period ended March 31, 2019		
	Net income (numerator) S/	Shares (denominator)	Earnings per share S/
Basic and diluted earnings per share	69,120,000	15,839,379	4.364
	For the three-month-period ended March 31, 2018		
	Net income (numerator) S/	Shares (denominator)	Earnings per share S/
Basic and diluted earnings per share	16,932,000	13,783,428	1.228

Notes to the interim consolidated financial statements (continued)

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

21. Commitments and contingencies

Commitments –

The main commitments assumed are presented below:

- (a) As of March 31, 2019, the Company agreed with several financial entities on the issuance of solidary and irrevocable letters of guarantee for approximately S/67,930,000, US\$5,249,000 and b\$1,037,000 (S/64,558,000, US\$6,135,000 and b\$1,384,000 as of December 31, 2018), 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 March 31, 2019 and December 31, 2018.
- (b) InRetail Pharma S.A. maintains certain labor claims for approximately S/2,322,000, mainly related to compensation for arbitrary dismissal, non-payment of social benefits, and reinstatements in the work place, among others. In Management's opinion and its legal advisors, these must be resolved favorably for InRetail Pharma S.A.; consequently, it is not necessary to record additional liabilities for these items.
- (c) Mifarma S.A.C. (formerly Farmacias Peruanas S.A.C.)
 - The Peruvian tax Administration (SUNAT) has some objections related to the tax base for income tax and value added tax for the year 2001, 2003, 2008, 2009, 2011, 2012, 2013, 2014 y 2015 in the amount of S/15,835,000. Mifarma S.A.C. (formerly Farmacias Peruanas S.A.C.) has filed a judicial claim before the Tax Court to annul the objection.

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

Notes to the interim consolidated financial statements (continued)

- 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.

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 March 31, 2019 and December 31, 2018 and for the three-month periods ended March 31, 2019 and 2018, 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 three-month periods ended March 31, 2019 and 2018

	Pharmacies S/(000)	Manufacturing, Distribution and Marketing S/(000)	Total segments S/(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/(000)	Consolidated S/(000)
For the three-month period ended March 31, 2019					
Revenue					
External income	1,236,011	468,512	1,704,523	-	1,704,523
Inter-segment	1,505	152,590	154,095	(154,095)	-
Total revenue	1,237,516	621,102	1,858,618	(154,095)	1,704,523
Cost of sales	(655,344)	(531,404)	(1,186,748)	-	(1,186,748)
Inter-segment	(150,361)	(1,372)	(151,733)	151,733	-
Gross profit	431,811	88,326	520,137	(2,362)	517,775
Selling expenses	(261,203)	(55,190)	(316,393)	(2,141)	(318,534)
Administrative expenses	(44,895)	(21,588)	(66,483)	94	(66,389)
Other operating income (expenses), net	(378)	562	184	-	184
Operating profit	125,335	12,110	137,445	(4,409)	133,036
Net, exchange difference	7,919	212	8,131	(1)	8,130
Finance income	7,674	625	8,299	(5,127)	3,172
Finance costs	(47,878)	(6,049)	(53,927)	4,659	(49,268)
Profit before income tax	93,050	6,898	99,948	(4,878)	95,070
Income tax expense	(28,977)	(2,926)	(31,903)	5,953	(25,950)
Profit for the year	64,073	3,972	68,045	1,075	69,120
Attributable to:					
Owners of the parent	64,073	3,972	68,045	1,075	69,120
Non-controlling interests	-	-	-	-	-
Net profit	64,073	3,972	68,045	1,075	69,120

Notes to the interim consolidated financial statements (continued)

	Pharmacies	Manufacturing, Distribution and Marketing S/(000)	Total segments S/(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/(000)	Consolidated S/(000)
For the three-month period ended March 31, 2018					
Revenue					
External income	1,019,383	359,931	1,379,314	-	1,379,314
Inter-segment	-	94,723	94,723	(94,723)	-
Total revenue	1,019,383	454,654	1,474,037	(94,723)	1,379,314
Cost of sales	(607,282)	(367,673)	(974,955)	-	(974,955)
Inter-segment	(90,056)	-	(90,056)	90,056	-
Gross profit	322,045	86,981	409,026	(4,667)	404,359
Selling expenses	(239,589)	(53,124)	(292,713)	3,414	(289,299)
Administrative expenses	(22,739)	(24,969)	(47,708)	(17,783)	(65,491)
Other operating income (expenses), net	2,512	6,359	8,871	(273)	8,598
Operating profit	62,229	15,247	77,476	(19,309)	58,167
Net, exchange difference	(10,229)	155	(10,074)	(1,749)	(11,823)
Finance income	11,951	1,994	13,945	559	14,504
Finance costs	(25,890)	(4,993)	(30,883)	2,117	(28,766)
Profit before income tax	38,061	12,403	50,464	(18,382)	32,082
Income tax expense	(12,403)	(4,274)	(16,677)	-	(16,677)
Profit for the year	25,658	8,129	33,787	(18,382)	15,405
Attributable to:					
Owners of the parent	25,658	8,129	33,787	(16,855)	16,932
Non-controlling interests	-	-	-	(1,527)	(1,527)
Net profit	25,658	8,129	33,787	(18,382)	15,405

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

Geographic information-

As of March 31, 2019 and December 31, 2018, 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 isn't an exact 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) Investment at fair value through equity

Fair value of investment at fair value through equity is derived from quoted market prices in active markets, if available. Fair value of unquoted investment at fair value through equity 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 three-month periods ended March 31, 2019 and 2018. The InRetail Pharma Group maintains the following financial instruments at fair value:

- Investment at fair value through equity which fair value was determined under level 1 hierarchy.
- Derivative instrument which fair value was determined under level 2 hierarchy.

24. Transactions in foreign currency

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 March 31, 2019 the weighted average exchange rates in the market for transactions in US Dollars were S/3.316 per US\$1.00 bid and S/3.321 per US\$ 1.00 ask (S/3369 and S/3.379 per US\$1.00 for bid and ask as of December 31, 2018).

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 March 31, 2019 and 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	2019	2018
U. S. Dollars (US\$)	0.301	0.296
Bolivian Peso (b\$)	2.096	2.060
Colombian Peso (\$)	955.974	961.749

As of March 31, 2019 and December 31, 2018, The InRetail Pharma Group held the following foreign currency assets and liabilities:

	As of March 31, 2019			As of December 31, 2018		
	US\$(000)	b\$(000)	\$(000)	US\$(000)	b\$(000)	\$(000)
Assets						
Cash and short-term deposits	11,065	5,521	1,833,801	13,252	10,186	2,279,790
Investments at fair value through equity	13,608	-	-	10,787	-	-
Trade receivables, net	52,377	37,305	8,955,453	55,740	37,453	9,941,230
Other accounts receivables, net	8,792	5,977	405,674	6,296	5,968	286,353
Accounts receivable from related parties	56	-	-	94	-	-
Total assets	85,898	48,803	11,194,928	86,169	53,607	12,507,373
Liabilities						
Trade payables	(62,719)	(23,264)	(6,219,048)	(69,370)	(24,929)	(6,024,207)
Other payables	(21,336)	(12,645)	(1,029,146)	(11,088)	(12,097)	(1,881,564)
Accounts payable to related parties	(18)	-	-	(43)	-	-
Lease liability	(109,119)	(5,543)	-	-	-	-
Interest - bearing loans and borrowings	(435,296)	-	(2,900,000)	(421,014)	-	(2,900,000)
Total Liabilities	(628,488)	(41,452)	(10,148,194)	(501,515)	(37,026)	(10,805,771)
Call Spread	400,000	-	-	400,000	-	-
Net (liability) assets position	(142,590)	7,351	1,046,734	(15,346)	16,581	1,701,602

Notes to the interim consolidated financial statements (continued)

As of March 31, 2019 and December 31, 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 Notes Unsecured", which is considered an effective hedging instrument.

The Call Spread is written over a nominal amount of US\$400,000,000 as of March 31, 2019 and December 31, 2018, protects it from exchange rate fluctuations between S/3.26 and S/3.75 as of March 31, 2019 and December 31, 2018 and will be effective until maturity of the "Senior Notes Unsecured". See further detail in Note 9 and 13.

25. Additional explanation for English translation

At the General Shareholders' Meeting on April 1, 2019, it was approved to distribute dividends of US\$30,000,000 equivalent approximately to S/99,630,000 which will be distributed on May 6, 2019 and June 2, 2019.

26. Additional explanation for English translation

The accompanying consolidated financial statements are presented on the basis of the IFRS. Certain accounting practices applied by the InRetail 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.