

Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

**InRetail Pharma S.A. and Subsidiaries**  
Consolidated financial statements as of December 31, 2023 and 2022, together with the Independent Auditors' Report



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**InRetail Pharma S.A. and Subsidiaries**

Consolidated financial statements as of December 31, 2023 and 2022,  
together with the Independent Auditors' Report

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## Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

### Independent auditors' report

To the shareholders of InRetail Pharma S.A. and Subsidiaries

#### *Opinion*

We have audited the accompanying consolidated financial statements of InRetail Pharma S.A. (a Peruvian company, part of the Intercorp Peru Group), and Subsidiaries ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2023, and the related consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of InRetail Pharma S.A. and Subsidiaries as of December 31, 2023, and their related consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### *Basis of opinion*

We conducted our audit in accordance with the International Auditing Standards (NIA) approved for application in Peru by the Board of Deans of the Associations of Public Accountants of Peru. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants. International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Peru, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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### Independent auditors' report (continued)

#### *Responsibilities of Management and those charged with governance of the Group in relation to the consolidated financial statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of the Group are responsible for overseeing the Group's consolidated financial reporting process.

#### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions that users make based on the consolidated financial statements.

As part of an audit in accordance with the International Auditing Standards (ISA) approved for application in Peru by the Board of Deans of the Associations of Public Accountants of Peru, we exercise professional judgment and maintain professional skepticism throughout the audit. Also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures that respond to those risks, and obtain audit evidence that is sufficient and appropriate to provide us with a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is greater than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or an override of internal control.



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### Independent auditors' report (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the adequacy of the accounting policies used, the reasonableness of the accounting estimates and the respective disclosures made by management.
- Conclude on the adequacy of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to change our opinion. The conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the general presentation, the structure, the content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient and appropriate audit evidence in relation to the financial information of the entities or business activities that are part of the Group, in order to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Group and, therefore, for our audit opinion.

We communicate to those charged with governance of the Group, among other matters, the planned scope and timing of the audit, the significant findings of the audit, as well as any significant deficiencies in internal control identified during the audit.

Lima, Peru,  
April 4, 2024

Countersigned by:

Tanaka Valdivia & Asociados

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Adriana Zabala  
C.P.C. Registration No. 04-6190

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InRetail Pharma S.A. and Subsidiaries

Consolidated statements of financial position

As of December 31, 2023 and 2022

	Note	2023 S/(000)	2022 S/(000)		Note	2023 S/(000)	2022 S/(000)
<b>Assets</b>				<b>Liabilities and equity</b>			
<b>Current assets</b>				<b>Current liabilities</b>			
Cash and cash equivalents	4.2(g) and 5	345,122	347,282	Trade accounts payables	4.2(c) and 15	1,808,027	1,853,560
Trade accounts receivables, net	4.2(c) and 6	634,098	632,335	Accounts payables to related parties	4.2(c) and 26(b)	34,659	30,157
Accounts receivables from related parties	4.2(c) and 26(b)	26,814	18,672	Other accounts payables	4.2(c) and 16	248,395	243,662
Other accounts receivables, net	4.2(c) and 7	123,532	233,666	Current income tax payables, net	4.2(s) and 14(e)	81,847	13,086
Inventories, net	4.2 (h) and 8	1,252,749	1,326,488	Short-term financial obligations	4.2(c) and 17	23,646	300,897
Prepayments	4.2(i)	11,976	5,116	Lease liabilities	4.2(k) and 11(b.2)	230,389	226,026
<b>Total current assets</b>		<u>2,394,291</u>	<u>2,563,559</u>	<b>Total current liabilities</b>		<u>2,426,963</u>	<u>2,667,388</u>
<b>Non-current assets</b>				<b>Non-current liabilities</b>			
Other long-term receivables	4.2(c) and 7	51,788	32,718	Other accounts payables	4.2(c) and 16	57,564	37,812
Financial assets at fair value through other comprehensive income	4.2(c) and 9	99,335	98,485	Financial obligations	4.2(c) and 17	609,357	607,071
Derivative financial instruments	4.2(d) and 10	31,839	57,107	Accounts payable from related parties	4.2(c) and 26(b)	1,325,023	1,353,541
Property, installations, furniture and equipment, net	4.2(j) and 11(a)	891,653	822,228	Lease liabilities	4.2(k) and 11(b.2)	431,972	406,095
Right-of-use assets, net	4.2(k) and 11(b)	635,246	584,202	Senior notes issued	4.2(c) and 18	385,197	384,786
Intangibles, net	4.2(l) and 12	550,606	566,058	Deferred income tax liabilities, net	4.2(s) and 14(a)	160,861	165,303
Other non-financial assets		2,407	2,435	<b>Total non-current liabilities</b>		<u>2,969,974</u>	<u>2,954,608</u>
Goodwill	4.2(b) and 13	1,272,634	1,272,634	<b>Total liabilities</b>		<u>5,396,937</u>	<u>5,621,996</u>
Deferred income tax assets, net	4.2(s) and 14(a)	176,159	148,694	<b>Equity</b>	19		
<b>Total non - current assets</b>		<u>3,711,667</u>	<u>3,584,561</u>	Capital stock		15,840	15,840
<b>Total assets</b>		<u>6,105,958</u>	<u>6,148,120</u>	Capital premium		482,835	482,835
				Other capital reserves		3,168	3,168
				Other equity reserves		(19,919)	(45,863)
				Retained earnings		227,097	70,144
				<b>Total equity</b>		<u>709,021</u>	<u>526,124</u>
				<b>Total liabilities and equity</b>		<u>6,105,958</u>	<u>6,148,120</u>

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

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**InRetail Pharma S.A. and Subsidiaries**

**Consolidated income statements**

For the years ended December 31, 2023 and 2022

	Note	2023 S/(000)	2022 S/(000)
Revenue from contracts with customers	4.2(q) and 21	8,791,066	8,668,252
Cost of sales	4.2(q) and 22	<u>(6,020,155)</u>	<u>(6,023,845)</u>
<b>Gross profit</b>		<u>2,770,911</u>	<u>2,644,407</u>
<b>Operating expenses</b>			
Selling expenses	4.2(q) and 23	(1,528,267)	(1,575,383)
Administrative expenses	4.2(q) and 23	(322,008)	(322,506)
Other income	4.2(q) and 24	26,735	98,851
Other expenses	4.2(q) and 24	<u>(27,806)</u>	<u>(72,153)</u>
<b>Total operating expenses</b>		<u>(1,851,346)</u>	<u>(1,871,191)</u>
<b>Operating profit</b>		<u>919,565</u>	<u>773,216</u>
<b>Other income (expenses)</b>			
Financial income	4.2(q) and 25	16,423	13,793
Financial costs	4.2(q) and 25	(189,247)	(204,386)
Exchange difference, net	4.2(f) and 28.1(i)	<u>15,751</u>	<u>18,847</u>
<b>Total other income (expenses), net</b>		<u>(157,073)</u>	<u>(171,746)</u>
<b>Profit before income tax</b>		762,492	601,470
Income tax	4.2(s) and 14(c)	<u>(255,539)</u>	<u>(199,163)</u>
<b>Net profit</b>		<u>506,953</u>	<u>402,307</u>

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

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**InRetail Pharma S.A. and Subsidiaries**

**Consolidated statements of comprehensive income**

For the years ended December 31, 2023 and 2022

	Note	2023 S/(000)	2022 S/(000)
<b>Net profit</b>		<u>506,953</u>	<u>402,307</u>
<b>Other comprehensive income -</b>			
<b>To be reclassified to the consolidated income statements in subsequent periods:</b>			
Unrealized results on derivative financial instruments	4.2(d)	32,512	23,422
Exchange differences on translation of foreign operations		336	(513)
Unrealized results on actuarial valuation		(98)	(265)
Deferred income tax	4.2(s) and 14(b)	<u>(9,591)</u>	<u>(6,909)</u>
<b>Total</b>		<u>23,159</u>	<u>15,735</u>
<b>That will not be reclassified to the consolidated income statements in subsequent periods:</b>			
Fair value update of financial investments with changes in other comprehensive income	4.2(c) and 9(b)	3,950	(18,257)
Deferred income tax		<u>(1,165)</u>	<u>5,386</u>
<b>Total</b>		<u>2,785</u>	<u>(12,871)</u>
<b>Other comprehensive income for the year, net of income tax effects</b>		<u>25,944</u>	<u>2,864</u>
<b>Total comprehensive income for the year, net of income tax effects</b>		<u>532,897</u>	<u>405,171</u>

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InRetail Pharma S.A. and Subsidiaries

Consolidated statements of changes in equity

For the years ended December 31, 2023 and 2022

	Capital stock S/(000)	Capital premium S/(000)	Other capital reserves	Other equity reserves				Retained earnings S/(000)	Total S/(000)
			Legal reserve S/(000)	Unrealized income on financial assets at fair value through other comprehensive income S/(000)	Unrealized results on derivative financial investment S/(000)	Foreign currency rates effect S/(000)	Unrealized results for actuarial update S/(000)		
<b>Balance as of January 1, 2022</b>	15,840	482,835	32,883	13,265	(54,514)	4,094	739	(76,958)	418,184
Net profit	-	-	-	-	-	-	-	402,307	402,307
Other comprehensive income	-	-	-	(12,871)	16,513	(513)	(265)	-	2,864
<b>Total comprehensive income</b>	-	-	-	(12,871)	16,513	(513)	(265)	402,307	405,171
Transfers to legal reserve, note 19(b)	-	-	(29,715)	-	-	-	-	29,715	-
Sale of investments at fair value through equity, note 9(b)	-	-	-	(11,731)	-	-	-	16,640	4,909
Dividends paid, note 19(c)	-	-	-	-	-	-	-	(302,140)	(302,140)
Others	-	-	-	-	-	(580)	-	580	-
<b>Balance as of December 31, 2022</b>	15,840	482,835	3,168	(11,337)	(38,001)	3,001	474	70,144	526,124
Net profit	-	-	-	-	-	-	-	506,953	506,953
Other comprehensive income	-	-	-	2,785	22,921	336	(98)	-	25,944
<b>Total comprehensive income</b>	-	-	-	2,785	22,921	336	(98)	506,953	532,897
Dividends paid, note 19(c)	-	-	-	-	-	-	-	(350,000)	(350,000)
<b>Balance as of December 31, 2023</b>	15,840	482,835	3,168	(8,552)	(15,080)	3,337	376	227,097	709,021

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

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## InRetail Pharma S.A. and Subsidiaries

### Consolidated statements of cash flows

For the years ended December 31, 2023 and 2022

	2023 S/(000)	2022 S/(000)
<b>Operating activities</b>		
Collections from customers	8,791,886	8,521,840
Payments to suppliers	(6,533,121)	(6,359,581)
Payments to employees	(883,036)	(906,482)
Income tax paid	(186,797)	(178,547)
Other collections (payments), net	44,720	(27,788)
<b>Net cash flows from operating activities</b>	<u>1,233,652</u>	<u>1,049,442</u>
<b>Investing activities</b>		
Sale of property, installations, furniture and equipment	668	463
Sale of investments at fair value through equity	-	49,745
Purchase of property, installations, furniture and equipment, note 11(a)	(164,430)	(254,827)
Purchase of intangibles assets, note 12(a)	(26,943)	(45,589)
<b>Net cash flows used in investing activities</b>	<u>(190,705)</u>	<u>(250,208)</u>
<b>Financing activities</b>		
Proceeds from interest-bearing loans and borrowings, net of structuring cost	130,550	793,952
Payment of financial obligations and senior notes	(446,648)	(874,750)
Payment of lease liabilities note 11(b.2)	(313,960)	(294,550)
Dividends paid, note 19(c)	(350,000)	(302,140)
Interest related to financial obligations and senior notes	(65,049)	(73,804)
<b>Net cash flows used in financing activities</b>	<u>(1,045,107)</u>	<u>(751,292)</u>
Net increase (net decrease) in cash and cash equivalents	(2,160)	47,942
Cash and cash equivalents at the beginning of the year	<u>347,282</u>	<u>299,340</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>345,122</u>	<u>347,282</u>
<b>Non-cash transactions</b>		
Fixed assets acquired through leasing, note 11(a)	40,430	23,935
Addition of right-of-use assets note 11(b.1)	339,390	362,450

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

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## InRetail Pharma S.A. and Subsidiaries

### Notes to the consolidated financial statements

As of December 31, 2023 and 2022

#### 1. Identification and business activities

##### (a) Identification -

InRetail Pharma S.A. (hereinafter, the "Company"), was incorporated on August 2, 1996 and started its activities on June 1, 1997. As of December 31, 2023 and 2022, the Company is a subsidiary of InRetail Perú Corp., which is a subsidiary of Intercorp Retail Inc., which is one of the entities of the Intercorp Peru Group operating in Peru and abroad. The Company's legal address, where its administrative offices are located, in Defensores del Morro Avenue 1277, Chorrillos, Lima Perú.

The Company has the following subsidiaries: (i) Quicorp S.A. and Subsidiaries; (ii) Boticas IP S.A.C.; (iii) Química Suiza S.A.C., (iv) Mifarma S.A.C. and Subsidiarie, (v) Farmacias Peruanas S.A.C. and (vi) FP Servicios Generales S.A.C., see note 3.

##### (b) Business activity -

The Company 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 pharmacy chain under the brands "Inkafarma" and "Mifarma". As of December 31, 2023, the Company operates 2,309 stores (2,290 stores as of December 31, 2022).

The consolidated financial statements as of December 31, 2022 have been approved by the General Stockholders' Meeting on April 28th, 2023. The consolidated financial statements as of December 31, 2023 have been approved by Management and the Board of Directors on March 27th, 2024, and then put for consideration of the General Stockholders' Meeting that will be held within the terms established by Law, for final approval. In Management's opinion, the Stockholders' Meeting will approve the accompanying consolidated financial statements without modifications.

#### 2. Reorganization processes

##### 2.1. Other reorganization processes -

In order to present a more efficient and organized structure, during 2023 and 2022, several corporate reorganization processes were performed (mergers and demergers), which involve some subsidiaries as InRetail Pharma S.A., Boticas IP S.A.C., Droguería InRetail Pharma S.A.C., Química Suiza S.A.C., and Vanttive S.A.C.; however, considering that said subsidiaries were controlled, directly and indirectly, by the Company and/or its shareholders since previous years, such reorganization processes had no impact on the consolidated financial statements as of December 31, 2023 and 2022.

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

#### 3. Subsidiaries' activities

The most relevant data of the financial statements of the subsidiaries as of December 31, 2023 and 2022 are presented below:

	Country	Ownership		Main economic activity	Assets		Liabilities		Equity		Operating profit (*)		Net profit (*)	
		2023 %	2022 %		2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)
<b>(i) Quicorp S.A. and Subsidiaries-</b>														
Quicorp S.A.	Peru	99.99	99.99	Holding incorporated in Peru.	120,038	97,946	904	55	119,134	97,891	-	(1,498)	35,743	6,110
Vanttive Cía. Ltda.	Ecuador	100	100.00	Commercialization of pharmaceutical products.	25,880	19,496	17,846	13,019	8,034	6,477	2,271	967	1,585	453
Quimiza Ltda.	Bolivia	99.99	99.99	Commercialization of chemical and pharmaceutical products.	40,870	44,916	23,201	25,102	17,669	19,814	1,993	1,760	(75)	(368)
Quifatex S.A.	Ecuador	100	100.00	Commercialization of chemical and pharmaceutical products.	504,170	531,754	372,164	383,776	132,006	147,978	40,374	21,737	21,445	11,542
<b>(ii) Boticas IP S.A.C.</b>														
	Peru	99.99	99.99	Commercialization of pharmaceutical products.	1,098,555	1,069,692	928,020	1,006,945	170,535	62,747	205,715	167,076	132,905	110,635
<b>(iii) Química Suiza S.A.C. and Subsidiary</b>														
Química Suiza S.A.C.	Peru	99.99	99.99	Commercialization of pharmaceutical products.	852,627	946,867	547,182	659,454	305,445	287,413	51,729	60,961	26,467	31,589
Vanttive S.A.C. (**)	Peru	99.99	99.99	Commercialization of pharmaceutical products.	-	23,974	-	18,734	-	5,240	1,898	2,543	1,207	1,821
<b>(iv) Mifarma S.A.C. and Subsidiary</b>														
Mifarma S.A.C.	Peru	99.99	99.99	Commercialization of pharmaceutical products.	1,226,617	1,251,813	1,030,097	1,170,100	196,520	81,713	171,042	150,285	114,807	91,431
Jorsa de la Selva S.A.C.	Peru	99.99	99.99	Commercialization of pharmaceutical products.	156,596	149,987	110,306	119,563	46,290	30,424	23,591	17,675	15,866	11,761
<b>(v) Farmacias Peruanas S.A.C.</b>														
	Peru	99.99	99.99	Logistics services and commercial administrative services.	174,741	164,642	113,769	106,001	60,972	58,641	21,192	15,144	12,331	8,540
<b>(vi) FP Servicios Generales S.A.C(*)</b>														
	Peru	99.99	99.99	Administrative services.	1	1	-	-	1	1	-	-	-	-

(\*) FP Servicios Generales has not started operations as of December 31, 2022.

(\*\*) As of December 31, 2023, Vanttive S.A.C merged with Boticas IP S.A.C (note 2.1).

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## Notes to the consolidated financial statements (continued)

### 4. Significant accounting policies and practices

The significant accounting policies used in the preparation and presentation of the Company and its Subsidiaries' consolidated financial statements are described below:

#### 4.1 Basis of preparation and presentation -

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), effective as of December 31, 2023 and 2022, respectively.

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income and derivative financial instruments, 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 accounting policies adopted are consistent with those applied in previous years, except for the new revised IFRS and IAS that are mandatory for periods beginning on or after January 1, 2022, and that are applicable for the operating of the Company and its Subsidiaries; however, they did not have any impact on the consolidated financial statements as of December 31, 2023 and, therefore, they have not been disclosed.

The information contained in the consolidated financial statements is the responsibility of the Company and its Subsidiaries' Management, who explicit manifest that principles and criteria included on IFRS, as issued by IASB are fully applied as of the date of consolidated financial statements.

#### 4.2 Summary of material accounting principles and practices -

##### (a) Basis of consolidation -

The consolidated financial statements comprise the financial statements of the Company and its Subsidiaries; see note 3.

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

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## Notes to the consolidated financial statements (continued)

(b) Business combinations and goodwill -

Acquisitions are recorded using the purchase method of accounting, as defined in IFRS 3 "Business Combinations", applicable to the date of each transaction. Assets and liabilities are recorded at their estimated market values at the date of purchase, including identified intangible assets not recognized in the statements of financial position of each entity acquired. Acquisition costs incurred are registered as expenses and are included in administrative expenses.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in income statements.

After initial recognition, goodwill is measured at cost minus any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company and its Subsidiaries cash-generating units that are expected to benefit from the combination.

Business combinations and other sales of companies or businesses between entities under common control are recorded using the pooling-of-interest method, because there has been no effective change in control over the companies or business. In accordance with the pooling-of-interest method, the balances of the financial statements of the merged companies or businesses, in the period in which the merger occurs as well as the other periods presented in comparative form, are presented as if they had merged since the beginning of the oldest period that is presented.

(c) Financial instruments - Initial recognition and subsequent measurement -

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets -

Initial recognition and measurement -

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

The Company and its Subsidiaries' financial assets include cash and cash equivalents, financial assets at fair value through profit or loss, trade accounts receivable, other accounts receivable, accounts receivable from related parties and financial assets at fair value through other comprehensive income.

### *Subsequent measurement -*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments).
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments).
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
- Financial assets at fair value through profit or loss.

The classification depends on the Company and its Subsidiaries' business model and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified after initial recognition, except if the Company and its Subsidiaries change their business model.

### *Financial assets at amortized cost -Debt instruments -*

The Company and its Subsidiaries measure financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method (EIR) and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Such category includes cash and cash equivalents, trade accounts receivable, other accounts receivable and accounts receivable from related parties.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

### *Financial assets at fair value through OCI - Debt instruments -*

The Company and its Subsidiaries measure debt instruments at fair value through OCI if both of the following conditions are met:

- The business model that the Company and its Subsidiaries have for the management of financial assets is collect the contractual cash flows, as well as obtain results for their management through the sale of those financial assets under market conditions; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As of December 31, 2023 and 2022, the Company and its Subsidiaries have not designated any financial instrument under this category.

### *Equity instruments - Shares -*

Equity instruments (shares) held for trading are recorded at fair value through profit or loss. For other equity instruments, the Company and its Subsidiaries should classify irrevocably each equity investment (shares) at fair value through OCI or at fair value through profit or loss. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never transferred to profit or loss. Dividends are recognized as other income in the consolidated income statement when the right of payment has been established, except when the Company and its Subsidiaries benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

As of December 31, 2023 and 2022, in this category is included financial assets at fair value through other comprehensive income.

### *Financial assets at fair value through profit or loss -*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.



# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

As of December 31, 2023 and 2022, the Company and its Subsidiaries have not designated any financial instrument under this category.

### *Derecognition -*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized, it is removed from the consolidated statement of financial position when:

- The rights to receive cash flows from the asset have expired; or
- The Company and its Subsidiaries have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) all the risks and rewards of the asset have been substantially transferred; or (b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company and its Subsidiaries have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, they evaluate if, and to what extent, it has retained the risks and rewards of ownership. When the Company and its Subsidiaries have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company and its Subsidiaries continue to recognize the transferred asset. In that case, the Company and its Subsidiaries also recognize an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company and its Subsidiaries have retained.

### *Impairment of financial assets -*

The Company and its Subsidiaries recognize an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company and its Subsidiaries expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company and its Subsidiaries apply a simplified approach in calculating ECLs. Therefore, the Company and its Subsidiaries do not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company and its Subsidiaries have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In determining whether the credit risk of a financial asset has significantly increased from its initial recognition, the Company and its Subsidiaries consider the reasonable and supportable information that is available without undue cost or effort.

(ii) Financial liabilities -

Initial recognition and measurement -

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and payables, net of directly attributable transaction costs.

The Company and its Subsidiaries' financial liabilities include trade accounts payable, other accounts payables, accounts payable to related parties, financial obligations and senior notes.

*Subsequent measurement -*

The measurement of financial liabilities depends on their classification, as described below:

*Financial liabilities at fair value through profit or loss -*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered by the Company and its Subsidiaries that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

As of December 31, 2023 and 2022, the Company and its Subsidiaries have not designated any financial liability at fair value through profit or loss.

### *Loans and borrowings -*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated income statement when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium upon acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as financial costs in the consolidated income statement.

This category includes trade accounts payables, other accounts payables, accounts payables to related parties, lease liabilities, financial obligation and Senior Notes.

### *Derecognition -*

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated income statement.

### (iii) *Offsetting of financial instruments -*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

### (d) Hedging activities and derivatives -

The Company and its Subsidiaries use derivative financial instruments to hedge its foreign currency risks and interest rate risks. Such derivative financial instruments are recognized at fair value as of the date of the consolidated financial statements. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

For the purpose of hedge accounting, hedges are only classified as cash flow hedges, that is, when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

At the inception of a hedge relationship, the Company and its Subsidiaries formally designate and document the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes the identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company and its Subsidiaries will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company and its Subsidiaries actually hedge and the quantity of the hedging instrument that the Company and its Subsidiaries actually use to hedge that quantity of hedged item.

Cash flow hedges that meet all of the criteria for hedge accounting are recorded as described below: The effective portion of the gain or loss on the hedging instrument is recognized in OCI into the caption "Unrealized results on derivative financial instruments", while any ineffective portion is recognized immediately in the consolidated income statement. For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

(e) Fair value of financial instruments -

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by Company and its Subsidiaries. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company and its Subsidiaries uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company and its Subsidiaries determine whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

Management determines the policies and procedures for both recurring and non-recurring fair value measurement. At each reporting date, the Management analyses the movements in the values of assets and liabilities that must be valued in accordance with the accounting policies of the Company and its Subsidiaries.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

For the purpose of fair value disclosures, the Company and its Subsidiaries has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

(f) Foreign currency transactions -

Functional and presentation currency -

The functional currency of the Company is the Sol, because it corresponds to the currency of its primary economic environment and is the one used in the development of its operations. For each subsidiary, Management evaluated and determined the functional currency, concluding that in all cases correspond to the currencies of the countries where its Subsidiaries operate.

The accompanying consolidated financial statements have been prepared to show the joint activity of the Company and its Subsidiaries, reason why the Sol has been established as the presentation currency, which is the functional currency of the Company.

Consequently, the balances of the financial statements of Subsidiaries operating in countries with a functional currency other than the Sol, have been converted to this currency in accordance with the methodology set out in IAS 21 "Effects of changes in rates change in foreign currency ", as follows:

- Assets and liabilities have been translated based on the closing exchange rate at the date of each consolidated statements of financial position presented. The translation differences from the opening balances of the reporting currency at a different exchange rate as of the consolidated statement of financial position date are presented as a movement in each of the corresponding captions.
- Income and expense items have been translated at the average exchange rate of each month of the year; these rates are approximate to the exchange rates at the dates of the transactions.
- The exchange difference arising from the translation has been recognized in the consolidated statements of comprehensive income in "Exchange differences on translation of foreign operations".

Foreign currency transactions are those performed in a currency other than the functional currency of the entity and are initially recorded at the exchange rates of their respective functional currencies at the date the transaction first qualifies for recognition.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

Subsequently, monetary assets and liabilities denominated in foreign currencies are adjusted at the functional currency exchange rate ruling at the reporting date. Differences between the closing rate at the date of each consolidated statements of financial position presented and the exchange rate initially used to record the transactions are recognized in the consolidated statements of income in the period in which they arise, in the caption "Exchange difference, net".

Non-monetary assets and liabilities in foreign currencies are translated at the exchange rate at the dates of the initial transactions and are not subsequently adjusted.

As required by IAS 21, the exchange differences resulting from transactions between related parties are eliminated in consolidation and are not included as part of the net investment in a foreign operation are recorded in profit or loss in the consolidated financial statements.

(g) Cash and cash equivalents -

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and fixed funds, current accounts and cash in transit. Such balances are not subject to significant risk of changes in value.

(h) Inventories -

Inventories are valued as the lower between cost and net realizable value. Commercial discounts, price reductions and other similar items decrease the acquisition cost. Cost is determined by applying the average cost method, except in the case of inventory in transit, which is presented at its specific acquisition cost.

Net realizable value is the estimated selling price in the ordinary course of business, minus estimated costs of completion and estimated costs necessary to make the sale.

Reductions in cost of inventories to its net realizable value are recorded as a provision for impairment of inventories, in the caption "Cost of sales" in the consolidated income statements in the period in which such reductions occur.

(i) Prepayments -

The criteria adopted to record these items are the following:

- Insurances are recorded as the value of the premium paid for the coverage of the different assets and are amortized by applying the straight-line method during the term of the policies.
- Payments in advance for advertising are recorded as an asset and are recognized as an expense when the service is accrued.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

As of December 31, 2023, prepayments amount to approximately S/11,976,000, (approximately S/5,116,000 as of December 31, 2022), which mainly includes advertising and insurance paid in advance.

- (j) Property, installations, furniture and equipment -  
Property, installations, furniture and equipment are stated at cost, net of the accumulated depreciation and/or accumulated impairment losses, if any. The historical acquisition cost includes expenses that are directly attributable to the acquisition of assets. Such cost includes the cost of replacing component parts of the property, furniture and equipment and borrowing costs for long-term construction projects.

When significant parts of property, installations, furniture and equipment are required to be replaced periodically, the Company and its Subsidiaries derecognize the replaced part, and recognize the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated income statements as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Lands are not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives described in note 11.

An item of property, installations, furniture and equipment and any significant part initially recognized is derecognized when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statements when the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Work in progress represents facilities in construction and is recorded at cost. This includes the construction cost and other direct costs. Work in progress does not depreciate until relevant assets are concluded and operative.



# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

### (k) Leases -

The Company and its Subsidiaries assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company and its Subsidiaries as lessees -

The Company and its Subsidiaries apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company and its Subsidiaries recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### (k.1) Right-of-use assets -

The Company and its Subsidiaries recognize right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, between 2 and 10 years.

If ownership of the leased asset is transferred to the lessee at the end of the lease term or if the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section (m) Impairment of non-financial assets.

#### (k.2) Lease liabilities -

At the commencement date of the lease, the Company and its Subsidiaries recognize lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and its Subsidiaries and payments of penalties for terminating the lease, if the lease term reflects the Company and its Subsidiaries exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

In calculating the present value of lease payments, the Company and its Subsidiaries use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

### (k.3) Short-term leases and leases of low-value assets -

The Company and its Subsidiaries apply the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

### The Company and its Subsidiaries as lessors -

Leases in which the Company and its Subsidiaries do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

### (l) Intangibles -

The intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost minus accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding development capitalized costs, are not capitalized and expenditure is reflected in the income statements in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense for intangible assets with finite lives is recognized in the consolidated income statements in the expense category consistent with the function of the intangible assets.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statements when the asset is derecognized.

Amortization is calculated on a straight - line basis over the estimate useful lives described note 12.

(m) Impairment of non-financial assets -

At each closing date of the reporting period, the Company and its Subsidiaries, assess at each end of year, whether there is an indicator that an asset may be impaired. If any indicator exists, or when annual impairment testing for an asset is required, the Company and its Subsidiaries estimate the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units (CGU's) fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate any cash inflows that are largely independent of those from other assets or group of assets.

When the carrying amount of an asset or (CGU's) exceeds its recoverable value, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. In determining fair value less costs of disposal, are taken into account recent market transactions, if any. If it is not possible to identify this type of transaction, using a valuation model is appropriate.

The Company and its Subsidiaries base their impairment calculations, if needed, on detailed budgets and forecast calculations which are prepared separately for each of the cash generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

For non-financial assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company and its Subsidiaries estimate the asset's or CGU's recoverable amount. An impairment loss recognized previously is only reversed if there was a change in the assumptions used to determine the recoverable amount of an asset since the last impairment loss was recognized. The reversal is limited in such a way that the carrying amount of the asset does not exceed its recoverable amount, nor does it exceed the carrying amount that would have been determined, net of the corresponding depreciation, if no impairment loss have been recognized for the asset in precedent periods. This reversal is recognized in the consolidated income statement, unless the asset is accounted for by revalued value, in which case the reverse is a revaluation increase.

(n) Employee benefits -

Short term -

The Company and its Subsidiaries have short-term obligations corresponding to benefits to its employees that include wages, social contributions, bonuses, performance bonuses and employees' profit sharing. These obligations are recorded on a monthly basis with charge to the consolidated statement of comprehensive income as they accrue.

Long term -

The subsidiaries in Ecuador grant long-term benefits, which mainly correspond to retirement pensions and eviction. The present value of the obligations for pension plans is determined by actuarial valuations, which is recorded at each date of the consolidated statement of financial position, and its variations with charge or credit directly in equity; however, the amount of this variation has not been significant during the year 2023 and 2022. Actuarial valuations involve certain assumptions that could differ from the events that will actually take place in the future. These assumptions include: the determination of the discount rate, future wage increases, mortality rates and future pension increases. All these assumptions are reviewed at each closing date of the reporting.

(o) Provisions -

Provisions are recognized when the Company and its Subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company and its Subsidiaries expect some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense related to any provision is presented in the consolidated income statements net of any reimbursement.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when corresponds, the risks specific to the liability. When discounts are recognized, the increase in the provision, due to the course of time, is recognized as a financial cost in the consolidated income statements.

(p) Contingencies -

A contingent liability is disclosed when the existence of an obligation shall only be confirmed by future events or when the amount of the obligation cannot be measured with sufficient reliability. Contingent assets are not recognized but are nonetheless disclosed when it is probable that generates an income of economic benefits to the Company and its Subsidiaries.

Given their nature, contingencies shall only be settled when one or more future events occur or not. The determination of contingencies involves inherently the exercise of judgment and the calculation of estimates on the results of future events.

(q) Revenue from contracts with customers -

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. In agreement with IFRS 15, the 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 Company and its Subsidiaries' revenues mainly correspond to sale of goods, which occur at a point in time when the goods are delivered. The Company and its Subsidiaries concluded that they act as the Principal in their sales contracts, because they control the goods or services before they are transferred to their customers.

*Sale of goods -*

For such revenues, the sale of goods is the only performance obligation. The revenue recognition occurs at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Cost of sales, which is the cost of the products that the Company and its Subsidiaries sale, is recognized when goods are delivered, simultaneously with the recognition of revenue for the corresponding sale.

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. 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. Consequently, income related to the expected returns is adjusted with income provisions in the consolidated statements of income, when they directly affect the revenue from contracts with customers.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

Other income, costs and expenses -

Other income, costs and expenses are recognized as they accrue, regardless of when they are paid, and recorded in the periods to which they relate.

(r) Financing costs -

Financing costs that are directly attributable to acquisition, construction or production of an asset, that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the respective assets. These costs are capitalized as part of the cost of the respective assets if it is probable to give rise to future economic benefits for the entity and can be reliably measured. All other borrowing costs are expensed in the period in which they occur. Financing costs include interest and other costs incurred by the Company and its Subsidiaries in relation to the respective loan agreements.

(s) Taxes -

Current income tax and employee's profit sharing -

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority, based in the financial statements for entity. The tax rates and tax laws used to compute the amount of current income tax due for the fiscal year are those that are enacted or substantively enacted, at the statement financial position date. In accordance with legal standards from Peru, employee's profit sharing is calculated over the same basis for calculating current income tax and in Ecuador over the basis of the financial profit.

Current income tax relating to items recognized directly in consolidated equity is recognized in consolidated equity and not in the consolidated income statements.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax -

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, does not affect neither the accounting profit nor taxable profit or loss;

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal can be controlled, and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date, or whose approval procedure is close to being completed by that date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in consolidated equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

### Value added tax -

Income from ordinary activities, expenses and assets are recognized excluding the value added tax, except:

- When value added tax (VAT) incurred in an acquisition of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the acquisition cost of the asset or as part of the expense item, as appropriate;
- Accounts receivable and payable that are already expressed with the amount of the VAT included.

The net amount of the VAT that can be recovered from or payable to the tax authority is included as part of the other accounts receivable or payable in the consolidated statement of financial position.

### (t) Customer loyalty programs -

Revenues related to the loyalty program "Inkaclub" and "Monedero del Ahorro" are recognized according to the market value of the benefits delivered to the customers (considering historical information related to utilization and maturity). Deferred income related to this program is included into the caption "Other accounts payable" of the consolidated statement of financial position.

### (u) Subsequent events -

Subsequent events that provide additional information about the financial situation of the Company and its Subsidiaries as of the date of the consolidated statement of financial position (adjustment events) are included in the consolidated financial statements. Relevant subsequent events that are not adjustment events are disclosed in notes to the consolidated financial statements.

### 4.3 Significant accounting judgments, estimates and assumptions -

The preparation of the consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses for the years ended December 31, 2023 and 2022.



# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

The most significant estimates made by Management in connection with the consolidated financial statements are:

(i) Shrinkage provision -

This provision is calculated considering the average historic values of losses incurred throughout the year and until the last physical inventory conducted before the year end. This provision is recorded as provision for inventory devaluation with charge to the consolidated statements of income.

(ii) Discounts, price reductions and others obtained by volume of purchases and sales of goods -

Discounts, price reduction and others obtained by volume of purchases and sales of goods are deducted from inventory at the date the discount is granted by suppliers and from cost of sales when the related items are sold. The different forms of such discounts require that the Company and its Subsidiaries estimate its distribution between the inventory that has been sold and the inventory remaining in stock at the date of the consolidated statements of financial position. Management performs such estimation on the basis of the daily discounts actually granted by suppliers and the rotation rates per item.

(iii) Valuation of financial investment at fair value through other comprehensive income -

When the fair values of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments, see note 29.

(iv) Impairment of non-financial assets -

At the end of each year, the Company and its Subsidiaries assess whether there is existent evidence that the value of its assets has deteriorated. If said evidence exists, the Company and its Subsidiaries perform an estimation of the recoverable amount of the asset.

As of the date of the consolidated financial statements, the available projections of these indicators show trends favorable to the interests of the Company and its Subsidiaries which support the recovery of its non-financial assets.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

(v) Depreciation method, estimated useful lives and residual value of property, installations, furniture and equipment -  
The determination of the depreciation method, the estimated useful lives and the residual value of property, installations, furniture and equipment involves judgments and assumptions that could be affected if the circumstances change. Management reviews periodically these assumptions and adjusts them in a prospective manner in case any changes are identified.

(vi) Recovery of deferred tax assets -  
Deferred tax assets require Management to evaluate the probability that the Company and its Subsidiaries generate taxable income for future periods in order to use the deferred tax assets. The estimates of future taxable income are based on the projections of cash flows from operations and the application of the tax legislation in force. As the future cash flows and the taxable income differ significantly from the estimates, it might have an impact on the capability of the Company and its Subsidiaries to realize the net deferred tax assets recorded at the reporting date.

Additionally, future changes in tax legislation might limit the capability of the Company and its Subsidiaries to obtain tax deductions in future periods. Any difference between the estimations and the later actual payments is recorded in the year in which it occurs.

(vii) Fair value measurement of derivative financial instruments -  
When the fair values of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but when this is not feasible, a degree of judgment is required in establishing fair values.

Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments, see note 29.

(viii) The incremental borrowing rate -  
The Company and its Subsidiaries use their incremental borrowing rate (IBR) to measure lease liabilities. The Company and its Subsidiaries estimate the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

- (ix) Determining the lease term of contracts with renewal and termination options -  
The Company and its Subsidiaries determine the lease term as the non-cancellable term of the lease, together with:
  - (a) any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or
  - (b) any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company and its Subsidiaries apply judgement in evaluating if it is reasonably certain whether or not to exercise the option to renew or terminate the lease considering all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company and its Subsidiaries reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

- (x) Obligations from long-term employee benefits -  
Actuarial valuations involve several assumptions that may be different from the events that actually occur in the future. These assumptions include the setting of the discount rate, the future increase in salaries, mortality rates and future increase of pensions.

- (xi) Taxes estimation -  
Uncertainty exists with regard to the interpretation of complex tax regulations, the changes in the tax norms and the amount and opportunity in which future taxable income is generated. The Company and its Subsidiaries calculate provisions, on the basis of reasonable estimations for the possible consequences derived from the inspections performed by the Tax Authority. The amount of these provisions is based on several factors such as the experience in previous tax examinations, and on the different interpretations about the tax regulations made by the Companies and their advisers.

These differences in interpretation can arise in a great variety of questions, depending on the circumstances and existing conditions in the place of domicile of the Company and its Subsidiaries.

The Company and its Subsidiaries consider remote the probability of litigation of a tax nature and subsequent disbursements, therefore, has not recognized any liabilities related to taxes have been recognized.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

In the Management's opinion, these judgments, estimations and assumptions were performed on the basis of its best knowledge of the relevant facts and circumstances at the date of preparation of the consolidated financial statements; nevertheless, the final results could differ from the estimations included in the consolidated financial statements. The Company and its Subsidiaries' Management does not expect that the changes, provided they occur, will have significant effect on the consolidated financial statements.

### 4.4 Changes in accounting policies and disclosures -

The Group applied for the first-time certain standards and amendments, which were effective as of 1 January, 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The following modifications were in effect from January 1, 2023:

- Amendments to IAS 8 - Definition of accounting estimates.
- Amendments to IAS 1 and IFRS Practice Statement 2 - *Making Materiality Judgements*.
- Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction.

These modifications had no impact on the Company's consolidated financial statements.

### 4.5 New accounting standards -

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback  
In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current  
In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement.
  - That a right to defer must exist at the end of the reporting period.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7  
In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed.

The amendments are not expected to have a material impact on the Group's financial statements.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

### 5. Cash and cash equivalents

(a) Below is the composition of the item as of December 31, 2023 and 2022:

	2023 S/(000)	2022 S/(000)
Cash and fixed funds	7,738	7,892
Current accounts (b)	227,191	241,230
Cash in transit (c)	85,941	87,567
Saving accounts (d)	<u>24,252</u>	<u>10,593</u>
	<u>345,122</u>	<u>347,282</u>

(b) The Company and its Subsidiaries maintain current accounts in local banks and abroad, mainly in Soles, US Dollars and Bolivianos, are free available and are free of encumbrances.

(c) Cash in transit represents cash from sales of the different stores of the Company and its Subsidiaries during the last days of the year, which is transported by a securities services company from the stores of the Company to its bank accounts the next business day of the following month.

(d) As of December 31, 2023, the balances in savings accounts are freely available, are held in soles and dollars in local financial institutions and accrue interest between 0.35 per year in Soles and 0.15 percent per year in US dollars.

### 6. Trade accounts receivable, net

(a) Below is the composition of the item as of December 31, 2023 and 2022:

	2023 S/(000)	2022 S/(000)
Distribution, agreements and other (b)	633,301	635,227
Credit card operators (c)	<u>41,939</u>	<u>33,952</u>
	<u>675,240</u>	<u>669,179</u>
<b>Less -</b>		
Provision for doubtful accounts (e)	<u>(41,142)</u>	<u>(36,844)</u>
	<u>634,098</u>	<u>632,335</u>

Trade accounts receivable are denominated in Soles and US Dollars, have current maturities and do not bear interest.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

- (b) Correspond to the receivables mainly generated from the manufacture and distribution of different pharmaceutical and consumer products to entities across Peru and abroad. As of December 31, 2023 and 2022, due to the nature of the InRetail Pharma Group's operations, the client portfolio is highly disperse, and includes well-known laboratories and wholesalers at national and international level, pharmacy chains, independent pharmacies, public and private institutions, supermarkets, among others.
- (c) Correspond to pending deposits in favor of the Company and its Subsidiaries for the last days of December 2023 and 2022, held by credit card operators and originated from the sales of goods in the different stores of the Company and its Subsidiaries. Such amounts were deposited in favor of the Company and its Subsidiaries on the first business day of the following month.
- (d) As of December 31, 2023 and 2022, the aging of the trade accounts receivable is presented below:

	<u>December 31, 2023</u>		
	Not impaired S/(000)	Impaired S/(000)	Total S/(000)
<b>Not past due -</b>	519,346	2,791	522,137
<b>Past due -</b>			
1 to 30 days	58,971	255	59,226
31 to 60 days	17,146	129	17,275
61 to 120 days	14,350	356	14,706
121 to 360 days	17,189	6,971	24,160
More than 360 days	7,096	30,640	37,736
	<u>634,098</u>	<u>41,142</u>	<u>675,240</u>

	<u>December 31, 2022</u>		
	Not impaired S/(000)	Impaired S/(000)	Total S/(000)
<b>Not past due -</b>	547,900	445	548,345
<b>Past due -</b>			
1 to 30 days	60,529	1,000	61,529
31 to 60 days	5,598	490	6,088
61 to 120 days	4,417	1,138	5,555
121 to 360 days	6,376	4,511	10,887
More than 360 days	7,515	29,260	36,775
	<u>632,335</u>	<u>36,844</u>	<u>669,179</u>

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

(e) The movements in the provision for doubtful accounts receivable were as follows:

	2023 S/(000)	2022 S/(000)
<b>Balance at the beginning of the year</b>	36,844	38,258
Additions, note 23(a)	9,805	7,633
Recoveries, note 23(a)	(4,352)	(1,693)
Write -off	(705)	(6,482)
Translation effect	(450)	(872)
<b>Balance at the end of the year</b>	<u>41,142</u>	<u>36,844</u>

(f) In Management's opinion, the provision for doubtful accounts receivable as of December 31, 2023 and 2022, appropriately covers the credit risk of trade accounts receivable.

### 7. Other accounts receivable, net

(a) This caption was made up as follows:

	2023 S/(000)	2022 S/(000)
<b>By nature -</b>		
Deposits in guarantee (b)	34,208	34,571
Claims and advances to be settled	28,779	23,605
Income tax credit, note 14(e)	27,399	70,329
Discount and/or refunds receivable -		
From suppliers	26,595	42,715
From represented entities	21,633	20,451
Taxes pending to be recovered (c)	17,986	26,270
Value-added tax credit (d)	13,275	12,132
Funds held in Banco de la Nación (e)	4,976	19,453
Accounts receivable to insurer (f)	3,142	
Accounts receivables to employees	2,558	1,125
Accounts receivable from EMEFIN	-	8,421
Claims to the National Superintendence of Customs and Tax Administration	-	6,894
Sale of shares of Cifarma S.A.C.	-	3,383
Receivables from EsSalud	-	4,482
Other	7,146	4,282
	<u>187,697</u>	<u>278,113</u>
<b>Less -</b>		
Provision for doubtful accounts (g)	(12,377)	(11,729)
	<u>175,320</u>	<u>266,384</u>



# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

	2023 S/(000)	2022 S/(000)
<b>By time -</b>		
Current portion	123,532	233,666
Non-current portion (b)	<u>51,788</u>	<u>32,718</u>
	<u>175,320</u>	<u>266,384</u>
<p>(b) Includes deposits in guarantee related to the rental of the administrative office, warehouse and drugstores "Inkafarma" and "Mifarma" nationwide, with maturities over twelve months, which is why Management has classified them in the long term. As of December 31, 2023, the balance of deposits in guarantee held by the Company and its Subsidiaries is recorded at discounted value, using a discount rate of 9.44 percent for guarantees receivable in soles and 6.71 percent for guarantees receivable in US dollars. (6.30 and 4.59 percent for guarantees receivable in soles and US dollars, respectively, as of December 31, 2022).</p> <p>(c) As of December 31, 2023, and 2022, these correspond to taxes pending recovery by Quifatex S.A. As of the date of this report, the refund request has been submitted to the relevant Tax Authority. In the opinion of Management and its advisors, these amounts are fully recoverable.</p> <p>(d) As of December 31, 2023, these correspond to value-added tax from the purchases made by InRetail Parma S.A. and Quicorp S.A. As of December 31, 2022, these correspond to value-added tax from the purchases made by InRetail Parma S.A., Vanttive S.A.C., Quimiza Ltd., and Quicorp S.A. The balances will be offset against the tax resulting from the next months.</p> <p>(e) In accordance with the Superintendence Resolution N°183-2004/SUNAT, funds held in Banco de la Nación must be used exclusively for the payment of tax debts or requested cash reimbursement. In the case of the Company, these funds have been used entirely for tax payments during the months of January and February 2023 and 2022, respectively.</p> <p>(f) As of December 31, 2023, it mainly corresponds to an account receivable to an insurance company due to claim from a subsidiary, note 12(c).</p> <p>(g) The movements in the provision for doubtful accounts receivable were as follows:</p>		

	2023 S/(000)	2022 S/(000)
<b>Balance at the beginning of the year</b>	11,729	5,839
Additions, note 23(a)	2,008	3,754
Recoveries, note 23(a)	(1,355)	(785)
Set-off and other (g)	<u>(5)</u>	<u>2,921</u>
<b>Balance at the end of the year</b>	<u>12,377</u>	<u>11,729</u>

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

- (h) In the opinion of the Management of the Company and its Subsidiaries, the provision for doubtful accounts as of December 31, 2023 and 2022, adequately covers the credit risk of this item as of those dates.

### 8. Inventories, net

- (a) This caption was made up as follows:

	2023 S/(000)	2022 S/(000)
Inventories, note 22	1,202,799	1,266,646
Materials and other supplies, note 22	2,209	968
Miscellaneous supplies	4,659	5,864
Inventories in transit (c)	84,539	82,674
	<u>1,294,206</u>	<u>1,356,152</u>
<b>Less -</b>		
Provision for impairment of inventories (d)	<u>(41,457)</u>	<u>(29,664)</u>
	<u>1,252,749</u>	<u>1,326,488</u>

- (b) As of December 31, 2023 and 2022, the balance of goods is presented net of the provision for discounts from suppliers (rebates) related to goods not sold at those dates for approximately S/4,135,000 and S/2,370,000, respectively.
- (c) As of December 31, 2023 and 2022, the caption includes, mainly, goods in transit acquired by the Company and its Subsidiaries in order to meet the demand of its customers. Management estimates that the balance of inventory receivable on December 31, 2023 will be received during the first half of 2024.
- (d) The movements in the provision for impairment of inventories for the years 2023 and 2022 were as follows:

	2023 S/(000)	2022 S/(000)
<b>Balance at the beginning of the year</b>	29,664	14,606
Additions, note 22	32,554	27,246
Recoveries, note 22	(20,066)	(11,955)
Translation effect	(695)	(233)
	<u>41,457</u>	<u>29,664</u>

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

- (e) In the opinion of the management of the Company and its subsidiaries, as of December 31, 2023 and 2022, the allowance for inventory impairment covers the risk of inventory's obsolescence of those dates.

### 9. Financial assets at fair value through other comprehensive income

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

	Fair value	
	2023 S/(000)	2022 S/(000)
Senior notes (b)	99,335	98,485
	<u>99,335</u>	<u>98,485</u>

- (b) During the months of August and September 2021, the Company acquired senior notes issued by Patrimonio en Fideicomiso D.S. N°093-2002-EF-InRetail Consumer (related entity, hereinafter "InRetail Consumer") for approximately US\$30,260,000 with an effective interest of 3.25 percent. As of December 31, 2023 and 2022, the balance of these senior notes is maintained at a fair value of approximately US\$26,811,000 (equivalent to S/99,335,000) and US\$25,316,000 (equivalent to S/98,485,000), respectively. Likewise, in 2023 these instruments have generated an unrealized loss of approximately S/3,950,000 (S/15,045,000 in 2022), which are presented under the caption "Unrealized results in financial investments at fair value with exchange in other comprehensive income" of the consolidated statement of changes in equity.
- (c) During 2018, the Company acquired 381,180 shares issued by InRetail Perú Corp. (Holding of the Company, see note 1(a)), which represent approximately 0.37 percent of participation in that entity. The fair value of these shares has been determined based on quoted prices of an active market at each reporting date. On December 28, 2022, these shares were sold to Supermercados Peruanos S.A. at a value of US\$13,033,000 (equivalent to S/49,745,000), transferring the effect of the unrealized gain from the date of acquisition to the date of sale of S/16,640,000 to retained earnings.

## Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

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

(d) The movements of financial assets at fair value through other comprehensive income are presented below:

	Shares		Senior notes		Total	
	2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)
<b>Balance at the beginning of the year</b>	-	52,956	98,485	119,250	98,485	172,206
Update of fair value of financial assets through other comprehensive income (i)	-	(1,631)	3,950	(15,046)	3,950	(16,677)
Exchange difference effect (ii)	-	(1,580)	(3,100)	(5,719)	(3,100)	(7,299)
Sale to related parties (c)	-	(49,745)	-	-	-	(49,745)
<b>Balance at the end of the year</b>	-	-	99,335	98,485	99,335	98,485

(i) The update of financial assets at fair value through other comprehensive income is recorded in the caption "Unrealized income on financial assets at fair value through other comprehensive income", in the consolidated statement of changes in net equity.

(ii) According to IFRS, loss from exchange difference in shares is recorded in the caption "Unrealized income on financial assets at fair value through other comprehensive income", in the consolidated statement of changes in equity, while the corresponding to senior notes is recorded in the caption "Exchange difference, net", in the consolidated statement of other comprehensive income.

(e) In Management's opinion, the financial assets at fair value through other comprehensive income held by the Company and its Subsidiaries as of December 31, 2023 and 2022, reflects the market value of these instruments considering the economic conditions where the Company and its Subsidiaries operate; therefore, at such date there would not be evidence of impairment on them.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

### 10. Derivative financial instrument - "Call Spread"

- (a) As of December 31, 2023 and 2022, the derivative financial instrument has been qualified as an effective hedge instrument and is as follows:

Entity	Notional amount	Maturity / Settlement	Book value of the covered item	Fair value	
				2023	2022
	US\$(000)		S/(000)	S/(000)	S/(000)
<b>Call Spread" - Contract</b>					
Citibank N.A. (b)	138,000	March 2028	527,160	27,725	32,164
<b>"Range principal only swaps" - Contract</b>					
Citibank N.A. (b)	100,000	March 2028	382,000	2,889	16,762
Citibank N.A. (b)	50,000	March 2028	191,000	1,225	8,181
				<u>31,839</u>	<u>57,107</u>

- (b) In March 2021, InRetail Pharma S.A. acquired a "Call Spread" for a total reference value of US\$288,000,000, in order to reduce its exposure to exchange rate risk originated by intercompany loan in foreign currency issued in March 2021 (see note 26(c)). The price of the premium was US\$20,431,000, with Citibank N.A., which includes an additional premium of US\$1,772,000, which was paid in cash.

In September 2021, InRetail Pharma S.A. decided to exchange US\$150,000,000 of the "Call Spread" for two "Range principal only Swaps" of US\$100,000,000 and US\$50,000,000, which fix the exchange rate at S/4.1045 and S/4.1100 per US\$1.00, respectively.

The exchange of financial instruments included the partial write-off of the respective liability held for the financing received from Citibank N.A. Likewise, this exchange is due to a successive "roll over" renewal of one hedging instrument for another; that is, it is part of the Group's risk management objective, which allows it to meet the coverage objective. Therefore, the time value of the replaced instrument at the date of the transaction will be recognized in income, on a straight-line basis, until the maturity of the hedge.

As of December 31, 2023, the Call Spreads cover US\$138,000,000 (cover 100 percent) of the foreign currency exposure the principal of the intercompany loan and protects exchange rate variations between S/3.70 and S/4.20 per US\$1.00 and the Range Principal Only Swaps cover US\$150,000,000 of the exposure in foreign currency of the principal of the issue and protect the variations of the exchange rate between S/3.70 and S/6.00 per US\$1.00.

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

During 2023, the "Call Spread" of US\$ 138,000,000 generated an accrual of S/5,851,000 (S/5,988,000 in 2022) that is presented in the caption "Financial expenses - Linear accrual of premium of derivative financial instruments", see note 25. For 2023, a total net expense amounting to S/7,602,000 (S/7,477,000 in 2022) was generated, which is presented under the caption "Financial expenses - Expenses for early settlement of "Call Spread" in the consolidated statement of income", see note 25.

The price for the Range principal only Swaps was financed by Citibank N.A., generating a liability whose total balance as of December 31, 2023 amounts to S/34,607,000 (S/40,724,000 as of December 31, 2022), see note 17(a). It should be noted that, in accordance with the provisions of IFRS 9, said premium was recorded with a charge to non-current assets, and is recognized in results on a straight-line basis during the term of the coverage, therefore, during the year 2023 and 2022, the accruals of this asset amounted to S/13,513,000; recognized in the caption "Financial Expenses - Linear accrual of premium of derivative financial instruments", see note 25.

Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

Notes to the consolidated financial statements (continued)

11. Property, installations, furniture and equipment, net and right-of-use assets

(a) Property, installations, furniture and equipment, net -

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

	Land S/(000)	Buildings, infrastructure and facilities S/(000)	Miscellaneous equipment S/(000)	Furniture and fixtures S/(000)	Vehicles S/(000)	Work in progress and others S/(000)	Total S/(000)
Useful lives (years) -	-	1 - 50	1 - 20	1 - 33	1 - 10	-	
<b>Balance as of January 1, 2022</b>	257,591	478,957	356,545	164,913	1,553	16,567	1,276,126
Additions (a.1)	98,569	79,637	52,593	40,346	232	7,385	278,762
Sales (a.2) and note 24	-	-	(3,332)	(907)	(106)	-	(4,345)
Write-downs (a.3) and note 24	-	(45,319)	(44,171)	(43,918)	(61)	-	(133,469)
Transfers	-	11,788	4,738	2,531	-	(19,057)	-
Translation	(12)	(282)	(2,316)	(428)	-	(55)	(3,093)
<b>Balance as of December 31, 2022</b>	<u>356,148</u>	<u>524,781</u>	<u>364,057</u>	<u>162,537</u>	<u>1,618</u>	<u>4,840</u>	<u>1,413,981</u>
Additions (a.1)	957	20,685	50,386	18,052	124	114,656	204,860
Sales (a.2) and note 24	(255)	(9)	(7,523)	(114)	(198)	-	(8,099)
Write-downs (a.3) and note 24	-	(7,945)	(20,391)	(3,969)	(41)	-	(32,346)
Transfers	-	2,018	1,456	57	1	(3,532)	-
Translation	(5)	(205)	(327)	872	-	(2)	333
<b>Balance as of December 31, 2023</b>	<u>356,845</u>	<u>539,325</u>	<u>387,658</u>	<u>177,435</u>	<u>1,504</u>	<u>115,962</u>	<u>1,578,729</u>
<b>Accumulated depreciation -</b>							
<b>Balance as of January 1, 2022</b>	-	266,127	258,217	106,703	1,309	-	632,356
Additions, note 22 and 23(a)	-	46,929	34,388	16,952	69	-	98,338
Sales (a.2) and note 24	-	-	(3,308)	(891)	(106)	-	(4,305)
Write-downs (a.3) and note 24	-	(44,877)	(43,791)	(43,591)	(61)	-	(132,320)
Transfers	-	2	(2)	-	-	-	-
Translation	-	(178)	(1,767)	(371)	-	-	(2,316)
<b>Balance as of December 31, 2022</b>	<u>-</u>	<u>268,003</u>	<u>243,737</u>	<u>78,802</u>	<u>1,211</u>	<u>-</u>	<u>591,753</u>
Additions, note 22 and 23(a)	-	52,889	50,188	31,417	121	-	134,615
Sales (a.2) and note 24	-	(10)	(7,481)	(109)	(198)	-	(7,798)
Write-downs (a.3) and note 24	-	(7,929)	(20,319)	(3,947)	(41)	-	(32,236)
Transfers	-	7	(5)	(2)	-	-	-
Translation	-	(135)	(23)	900	-	-	742
<b>Balance as of December 31, 2023</b>	<u>-</u>	<u>312,825</u>	<u>266,097</u>	<u>107,061</u>	<u>1,093</u>	<u>-</u>	<u>687,076</u>
<b>Net book value as of December 31, 2023</b>	<u>356,845</u>	<u>226,500</u>	<u>121,561</u>	<u>70,374</u>	<u>411</u>	<u>115,962</u>	<u>891,653</u>
<b>Net book value as of December 31, 2022</b>	<u>356,148</u>	<u>256,778</u>	<u>120,320</u>	<u>83,735</u>	<u>407</u>	<u>4,840</u>	<u>822,228</u>

## Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

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

- (a.1) As of December 31, 2023 and 2022, additions mainly correspond to disbursements made for the implementation of the new stores opened by the Company and its Subsidiaries, and the acquisition of equipment for their operations. During 2023, S/40,430,000 (S/23,935,000 during 2022) were acquired through financial leases.
- (a.2) During 2023, the Company and its Subsidiaries sold Miscellaneous equipment for approximately S/8,099,000. During 2022, the Company and its Subsidiaries sold furniture, equipment, and facilities for approximately S/4,345,000.
- (a.3) Write-downs mainly includes unused installations, equipment, furniture and fixtures by the Company and its Subsidiaries as a result of the remodeling process and closing of some stores during the years 2023 and 2022.
- (a.4) In Management's opinion, the Company and its Subsidiaries hold insurance policies that cover its entire property, installations, furniture and equipment, which indicates that their insurance policies are consistent with the international practice of the industry.
- (a.5) Property, furniture and equipment, includes assets acquired through finance lease contracts. As of December 31, 2023 and 2022, the cost and corresponding accumulated depreciation of these assets are the following:

	2023			2022		
	Cost S/(000)	Accumulated depreciation S/(000)	Net cost S/(000)	Cost S/(000)	Accumulated depreciation S/(000)	Net cost S/(000)
Buildings and facilities	1,066	839	227	1,066	723	343
Miscellaneous equipment	135,348	82,705	52,643	108,127	71,067	37,060
Vehicles	410	410	-	410	410	-
Furniture and fixtures	612	612	-	612	612	-
	<u>137,436</u>	<u>84,566</u>	<u>52,870</u>	<u>110,215</u>	<u>72,812</u>	<u>37,403</u>

- (a.6) As of December 31, 2023 and 2022, the only assets in guarantee maintained by the Company and its Subsidiaries are the assets acquired under finance lease that remain payable as of those dates, see note 17(b).
- (a.7) As of December 31, 2023 and 2022, Management performed an evaluation of its property, installations, furniture and equipment, and has not found any indicator of impairment, therefore, in its opinion, carrying value of property, installations, furniture and equipment is recoverable with future profits of the Company and its Subsidiaries.



# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

(b) Right-of-use assets -

(b.1) The table below presents the movement and composition of this caption:

	Land and Buildings S/(000)	Vehicles S/(000)	Total S/(000)
<b>Lease term (years)</b>	1 - 11	4	
<b>Cost -</b>			
<b>As of January 1, 2022</b>	992,903	3,751	996,654
Additions	362,359	91	362,450
Disposals and/or sales, note 24	(180,758)	(2,188)	(182,946)
Translation	(1,989)	(141)	(2,130)
<b>As of December 31, 2022</b>	<u>1,172,515</u>	<u>1,513</u>	<u>1,174,028</u>
Additions	338,306	1,084	339,390
Disposals and/or sales, note 24	(234,438)	(1,087)	(235,525)
Translation	(1,159)	(36)	(1,195)
<b>As of December 31, 2023</b>	<u>1,275,224</u>	<u>1,474</u>	<u>1,276,698</u>
<b>Accumulated amortization -</b>			
<b>As of January 1, 2022</b>	484,235	1,823	486,058
Additions (b.3)	266,397	526	266,923
Disposals and/or sales, note 24	(161,243)	(1,102)	(162,345)
Translation	(741)	(69)	(810)
<b>As of December 31, 2022</b>	<u>588,648</u>	<u>1,178</u>	<u>589,826</u>
Additions (b.3)	269,963	323	270,286
Disposals and/or sales, note 24	(217,002)	(1,087)	(218,089)
Translation	(547)	(24)	(571)
<b>As of December 31, 2023</b>	<u>641,062</u>	<u>390</u>	<u>641,452</u>
<b>Net book values -</b>			
<b>As of December 31, 2022</b>	<u>583,867</u>	<u>335</u>	<u>584,202</u>
<b>As of December 31, 2023</b>	<u>634,162</u>	<u>1,084</u>	<u>635,246</u>

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

(b.2) Set out below are the lease liabilities movements during the period:

	2023 S/(000)	2022 S/(000)
<b>Initial balance</b>	632,121	568,211
Additions	339,390	362,450
Financial interests, note 25	41,970	39,897
Payments -		
Leases with fixed rent	(313,960)	(294,550)
Rent paid in advance	1,321	(1,890)
Contracts disposal	(18,533)	(22,410)
Exchange difference	(19,282)	(18,230)
Translation	(666)	(1,357)
<b>Final balance</b>	<u>662,361</u>	<u>632,121</u>
<b>By term -</b>		
Current	230,389	226,026
Non-current	431,972	406,095
	<u>662,361</u>	<u>632,121</u>

As of December 31, 2023 and 2022, the payment schedule of these obligations is as follows:

	2023 S/(000)	2022 S/(000)
2023	-	226,026
2024	230,389	133,288
2025	175,566	124,713
2026	120,207	75,930
2027	83,428	63,714
2028 onwards	52,771	8,450
<b>Total</b>	<u>662,361</u>	<u>632,121</u>

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

(b.3) The following are the amounts recognized in consolidated income statements:

	2023 S/(000)	2022 S/(000)
Depreciation expenses of right-of-use assets (b.4)	270,286	266,923
Interest expenses on lease liabilities, note 25	41,970	39,897
Expenses related to short-term leases, notes 22 and 23(a)	10,604	20,877
Expenses related to low-value assets, notes 22 and 23(a)	<u>5,392</u>	<u>14,258</u>
<b>Total amount recognized in consolidated income statements</b>	<u><b>328,252</b></u>	<u><b>341,955</b></u>

(b.4) Depreciation for the year has been recognized into the following captions of consolidated income statement:

	2023 S/(000)	2022 S/(000)
Cost of sales, note 22	2,506	1,647
Administrative expenses, note 23	5,197	4,241
Selling expenses, note 23	<u>262,583</u>	<u>261,035</u>
	<u><b>270,286</b></u>	<u><b>266,923</b></u>

(b.5) The Company and its Subsidiaries have lease agreements related to stores with only fixed payments, which amounted to approximately S/313,960,000 during 2023 (S/294,550,000 during 2022).

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Notes to the consolidated financial statements (continued)

12. Intangibles, net

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

	Software and licenses S/(000)	Brands (c)		Relationships with clients (d) S/(000)	Contracts with represented (e) S/(000)	Work in progress S/(000)	Total S/(000)
		Definite useful life S/(000)	Indefinite useful life S/(000)				
Useful lives (years) -	10	2 - 20	-	12 - 31	1 - 26	-	
<b>Balance as of January 1, 2022</b>	149,828	24,172	446,097	46,300	204,800	31,336	902,533
Additions (b)	26,855	76	-	-	-	18,658	45,589
Write-downs, note 24	(36,662)	-	-	-	-	-	(36,662)
Transfers	26,816	-	-	-	-	(26,816)	-
Translation	(219)	-	-	-	-	-	(219)
<b>Balance as of December 31, 2022</b>	<u>166,618</u>	<u>24,248</u>	<u>446,097</u>	<u>46,300</u>	<u>204,800</u>	<u>23,178</u>	<u>911,241</u>
Additions (b)	6,630	4	-	-	-	20,309	26,943
Write-downs note 24	(1,222)	-	-	(46,300)	(27,000)	(69)	(74,591)
Transfers	19,294	153	-	-	-	(19,447)	-
Reclassifications and other (c)	(2,688)	-	-	-	-	(169)	(2,857)
Translation	(292)	-	-	-	-	-	(292)
<b>Balance as of December 31, 2023</b>	<u>188,340</u>	<u>24,405</u>	<u>446,097</u>	<u>-</u>	<u>177,800</u>	<u>23,802</u>	<u>860,444</u>
<b>Accumulated amortization -</b>							
<b>Balance as of January 1, 2022</b>	115,467	12,839	-	46,300	146,622	-	321,228
Additions, notes 22 and 23(a)	19,928	771	-	-	40,123	-	60,822
Write-downs note 24	(36,662)	-	-	-	-	-	(36,662)
Translation	(205)	-	-	-	-	-	(205)
<b>Balance as of December 31, 2022</b>	<u>98,528</u>	<u>13,610</u>	<u>-</u>	<u>46,300</u>	<u>186,745</u>	<u>-</u>	<u>345,183</u>
Additions, notes 22 and 23(a)	29,217	2,147	-	-	7,492	-	38,856
Write-downs note 24	(520)	-	-	(46,300)	(27,000)	-	(73,820)
Reclassifications and other (c)	(97)	-	-	-	-	-	(97)
Translation	(284)	-	-	-	-	-	(284)
<b>Balance as of December 31, 2023</b>	<u>126,844</u>	<u>15,757</u>	<u>-</u>	<u>-</u>	<u>167,237</u>	<u>-</u>	<u>309,838</u>
<b>Net book value as of December 31, 2022</b>	<u>61,496</u>	<u>8,648</u>	<u>446,097</u>	<u>-</u>	<u>10,563</u>	<u>23,802</u>	<u>550,606</u>
<b>Net book value as of December 31, 2023</b>	<u>68,090</u>	<u>10,638</u>	<u>446,097</u>	<u>-</u>	<u>18,055</u>	<u>23,178</u>	<u>566,058</u>

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

- (b) Additions for the years 2023 and 2022 mainly correspond to disbursements made by the Company and its Subsidiaries for the acquisition of software, licenses and brands. Such disbursements include the costs of acquisition of the software and licenses, development costs and other directly attributable costs. In Management's opinion, work in progress as of December 31, 2023, will be substantially completed during 2024.
- (c) During the period of 2023, as a result of a claim in a subsidiary, an account receivable was recognized from an insurance company for an amount rising to S/2,760,000, note 7(f).
- (d) Management of the Company and its Subsidiaries has estimated the fair value of this intangibles assets by using the "Relief from royalty method", which is a standard form of discounted cash flow analysis used for the valuation of trademarks. The principle behind the relief from royalty method is that a holding company owns the brand avoiding payments of royalties for the use of the brand, to another hypothetical owner; therefore, the economic value of the brand is represented by the avoided royalties. The table below presents of the details of brands with indefinite useful life:

	2023 S/(000)	2022 S/(000)
<b>Description/Brand</b>		
"Mifarma"	395,355	395,355
"Química Suiza"	17,791	17,791
"Commercial brands"	17,040	17,040
"Ninet"	15,911	15,911
	<u>446,097</u>	<u>446,097</u>

As of December 31, 2023 and 2022, the factors considered to determine that these brands have an indefinite useful life are the following:

- History and expected use of the asset by the Company: this is the most important factor to consider in the definition of the useful life of the brands. "Mifarma", "Química Suiza", "Ninet" and "Commercial brands", are the most recognized brands in the pharmacy industry in Peru and the Company expects to further strengthen them in the long term.
- Legal, regulatory or contractual limits to the useful life of the intangible asset: there are no legal regulatory or contractual limits linked to the brands. The brands are duly protected and the pertinent registrations remain current.
- Effect of obsolescence, demand, competition and other economic factors: "Mifarma", "Química Suiza", and "Ninet", are the most recognized brands in the pharmacy industry in Peru. This implies a low risk of obsolescence.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

- Maintenance of the necessary investment levels to produce the projected future cash flows for the brand are based on investments in marketing, technology and the growth and revamping of the pharmacy chain infrastructure. Furthermore, efficiencies are expected as a result of synergies and the growth in scale of the operations, which are compatible and reasonable for the industry. Notwithstanding this, an increase in general administration expenses is also contemplated to sustain the projected increase in sales.
  - Relationship of the useful life of an asset or group of assets with the useful life of an intangible asset: The brands do not depend on the useful life of any asset or group of assets as they existed independently, and it is not related to sectors subject to technological obsolescence or other causes.
- (e) For the valuation of relationships with customers and contracts with represented companies, the "Multi Period Excess Earning Method" was applied, which reflects the present value of excess cash flows generated by the intangible asset during its useful life, after deducting the contributory charges for the operating tangible and intangible assets used.

The relationship with customers is defined as the hiring of services for the manufacture of one or more specific products. To determine the useful life, the historical loss of customers in each business operation as well as the consistence of the latter with the business characteristics and the market it interacts at were analyzed.

Furthermore, the contracts with represented companies mainly delimit the exclusivity for the distribution of a product as well as the inventory levels required to maintain the operation. To determine their useful lives, the useful lives of the remaining contracts valid at the transaction date and the record of renewals were considered.

- (f) As of December 31, 2023 and 2022, the Company and its Subsidiaries do not maintain guarantees on their intangible assets.
- (g) In the case of intangible assets with a definite useful life, in the opinion of Management, there is no indicator of impairment in those assets as of December 31, 2023 and 2022. Likewise, as of December 31, 2023 and 2022, Management has carried out an impairment test for the brands with indefinite useful life (detailed in (c), above), and, as a result of that test, it has determined that it is not necessary to recognize any provision for impairment; see more detail of the assumptions also used for that test in note 13.

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## Notes to the consolidated financial statements (continued)

### 13. Goodwill

As of December 31, 2023 and 2022, the Company has a goodwill of S/1,272,634,000, related to the acquisition of Quicorp Group in 2018 (such goodwill was entirely allocated into the "Pharmacies" segment; note 29). In compliance with the International Financial Reporting Standards (note 4.2 (b)), Management performs annually a goodwill impairment test, based on the cash generating units.

The recoverable amount of each cash-generating unit has been determined based on fair value less cost to sale calculation using cash flow projections from financial budgets approved by senior management covering a specific period.

Cash flows beyond the period indicated in the projections were extrapolated using a specific growth rate similar to the long-term average growth rate for the country operating each CGU.

Following are the main assumptions used in the impairment assessment for each CGU and the brands with indefinite life (note 12(d)), as of December 31, 2023 and 2022:

- Sales growth rate - A sales growth rate was considered for each CGU of 2.8 percent. This growth rate is based on published market research and, in general, is in line with the projected long-term inflation for the countries where each CGU operates.
- EBITDA margins - EBITDA margins are based on historical values recorded in years prior to the beginning of the budgeted period and increases during the budgeted period with the expected efficiency improvements due to the normal improvement of the production process.
- Discount rates - Discount rates used for each CGU was 10.01 percent. Discount rates represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the CGU and represents its weighted average cost of capital (WACC). The beta factors are evaluated annually based on publicly available market data. The factors that have an impact on the discount rate calculation, as country risk, free discount rate, beta, market premium and cost of debt are evaluated annually based on publicly available market data.

As of December 31, 2023 and 2022, the carrying amount of goodwill related to the CGU has been compared to the recoverable amount, which amounted to S/4,344,000,000 and S/3,706,000,000, respectively. Management has determined that it is not necessary to set up impairment provisions.

The key assumptions described above may change if market conditions and the economy change. The Company estimates that changes in these assumptions, which would be reasonable to expect, would not cause the recoverable amount of any CGU to decrease below their book value.

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Notes to the consolidated financial statements (continued)

14. Income tax

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

	2023		2022	
	Deferred assets, net S/(000)	Deferred liability, net S/(000)	Deferred assets, net S/(000)	Deferred liability, net S/(000)
Mifarma S.A.C.	46,812	-	45,537	-
InRetail Pharma S.A.	69,655	-	55,929	-
Boticas IP S.A.C.	31,082	-	23,548	-
Jorsa de la Selva S.A.C.	3,685	-	2,792	-
Química Suiza S.A.C.	-	(43,674)	-	(45,886)
Farmacias Peruanas S.A.C.	15,966	-	10,582	-
Vanttive S.A.C.	-	-	95	-
Quicorp S.A.	953	-	17	-
Quimiza Ltda. (Bolivia)	7,876	-	858	-
Quifatex S.A. (Ecuador)	130	-	9,053	-
Vanttive Cía. Ltda. (Ecuador)	-	-	283	-
Consolidation adjustments (*)	-	(117,187)	-	(119,417)
<b>Total</b>	<b>176,159</b>	<b>(160,861)</b>	<b>148,694</b>	<b>(165,303)</b>
<b>Net</b>		<b>15,298</b>		<b>(16,609)</b>

(\*) As of December 31, 2023 and 2022, mainly correspond to the surpluses and generated intangibles in the acquisition of Quicorp Group in 2018, as well as other adjustments to eliminations such as unrealized gain in sales of inventories.



Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

Notes to the consolidated financial statements (continued)

(b) The table below presents the detail of the deferred Income tax assets and liabilities by nature:

	Balance as of December 31, 2021 S/(000)	(Charge)/credit to the consolidated income statement S/(000)	Equity S/(000)	Translation S/(000)	Balance as of December 31, 2022 S/(000)	(Charge)/credit to the consolidated income statement S/(000)	Equity S/(000)	Translation S/(000)	Balance as of December 31, 2023 S/(000)
<b>Deferred assets</b>									
Vacations accrual	6,552	2,197	-	(4)	8,745	1,081	-	(2)	9,824
Differences in depreciation rates	19,718	6,946	-	-	26,664	13,470	-	-	40,134
Losses due to theft of merchandise	1,999	(338)	-	-	1,661	-	-	-	1,661
Differences in amortization rates	5,257	(872)	-	-	4,385	1,832	-	-	6,217
Provision for doubtful accounts receivable	5,487	1,996	-	(117)	7,366	243	-	(51)	7,558
Provision for impairment of inventories	2,952	7,164	-	(51)	10,065	(1,336)	-	(33)	8,696
Tax loss carry forward	6,147	(6,130)	-	-	17	(17)	-	-	-
Miscellaneous provisions	10,954	173	-	(759)	10,368	2,786	-	(98)	13,056
Employees profit sharing	4,272	5,194	-	-	9,466	822	-	-	10,288
Fair value of derivative financial instruments	1,683	-	15,896	-	17,579	-	7,179	-	24,758
Lease liabilities	26,334	(3,942)	-	11	22,403	(7,384)	-	(21)	14,998
Limit on financial expenses	7,991	17,223	-	-	25,214	22,614	-	-	47,828
Other	11,614	1,174	-	1,535	14,323	3,301	-	(68)	17,556
	<u>110,960</u>	<u>30,785</u>	<u>15,896</u>	<u>615</u>	<u>158,256</u>	<u>37,412</u>	<u>7,179</u>	<u>(273)</u>	<u>202,574</u>
<b>Deferred liabilities</b>									
Fair value of financial investments to fair value through change in other comprehensive income	(5,551)	-	10,295	-	4,744	-	(1,165)	-	3,579
Higher asset value at fair value	(7,703)	3	-	-	(7,700)	3	-	-	(7,697)
Exchange difference gain on derivative financial instruments	25,436	-	(15,123)	-	10,313	-	(9,091)	-	1,222
Linear premium accrual of derivative financial instruments	(4,308)	274	(7,682)	-	(11,716)	272	(7,679)	-	(19,123)
Other	(6,496)	1,286	-	7	(5,203)	802	-	5	(4,396)
	<u>1,378</u>	<u>1,563</u>	<u>(12,510)</u>	<u>7</u>	<u>(9,562)</u>	<u>1,077</u>	<u>(17,935)</u>	<u>5</u>	<u>(26,415)</u>
<b>Total deferred assets, net</b>	<u>112,338</u>	<u>32,348</u>	<u>3,386</u>	<u>622</u>	<u>148,694</u>	<u>38,489</u>	<u>(10,756)</u>	<u>(268)</u>	<u>176,159</u>

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Notes to the consolidated financial statements (continued)

	Balance as of December 31, 2021 S/(000)	(Charge)/credit to the consolidated income statement S/(000)	Equity S/(000)	Translation S/(000)	Balance as of December 31, 2022 S/(000)	(Charge)/credit to the consolidated income statement S/(000)	Equity S/(000)	Translation S/(000)	Balance as of December 31, 2023 S/(000)
<b>Deferred assets</b>									
Unrealized gain in sales of inventories	36,854	(9,576)	-	(1,077)	26,201	2,987	-	-	29,188
Differences in amortization rates	2,276	-	-	-	2,276	-	-	-	2,276
Provision for doubtful accounts receivable	703	3,759	-	-	4,462	(3,772)	-	-	690
Provision for impairment of inventories	1,232	(1,232)	-	-	-	722	-	-	722
Miscellaneous provisions	2,193	774	-	-	2,967	129	-	-	3,096
Other	(36)	(597)	-	(15)	(648)	1,664	-	1	1,017
	<u>43,222</u>	<u>(6,872)</u>	<u>-</u>	<u>(1,092)</u>	<u>35,258</u>	<u>1,730</u>	<u>-</u>	<u>1</u>	<u>36,989</u>
<b>Deferred liabilities</b>									
Higher tax depreciation due to financial lease	(5,962)	249	-	-	(5,713)	2,343	-	-	(3,370)
Higher value in deemed cost for IFRS adoption	(46,305)	54	-	-	(46,251)	52	-	-	(46,199)
Differences in amortization rates	(2,279)	-	-	-	(2,279)	-	-	-	(2,279)
Intangibles generated in business combination	(155,899)	11,457	-	-	(144,442)	(1,657)	-	-	(146,099)
Other	138	(1,990)	-	(24)	(1,876)	1,990	-	(17)	97
	<u>(210,307)</u>	<u>9,770</u>	<u>-</u>	<u>(24)</u>	<u>(200,561)</u>	<u>2,728</u>	<u>-</u>	<u>(17)</u>	<u>(197,850)</u>
<b>Total deferred liabilities, net</b>	<u>(167,085)</u>	<u>2,898</u>	<u>-</u>	<u>(1,116)</u>	<u>(165,303)</u>	<u>4,458</u>	<u>-</u>	<u>(16)</u>	<u>(160,861)</u>

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

- (c) The table below presents the income tax expense reported in the consolidated income statements as of December 31, 2023 and 2022:

	2023 S/(000)	2022 S/(000)
<b>Current -</b>		
In Peru	(285,827)	(225,529)
In other countries	(12,659)	(8,880)
	<u>(298,486)</u>	<u>(234,409)</u>
<b>Deferred (*) -</b>		
In Peru	43,914	23,337
In other countries	(967)	11,909
	<u>42,947</u>	<u>35,246</u>
	<u>(255,539)</u>	<u>(199,163)</u>

- (\*) The deferred income tax has been calculated on all temporary differences, considering the effective income tax rates where the Company's subsidiaries are located.

- (d) The reconciliation of the effective income tax rate with the statutory income tax rate is as follows:

	2023		2022	
	S/(000)	%	S/(000)	%
<b>Profit before income tax</b>	762,492	100.00	601,470	100.00
Theoretical expense	224,935	29.50	177,434	29.50
Net effect of non-deductible or taxable items or from previous years, of a permanent nature.	30,604	4.01	21,729	3.61
<b>Income tax expense</b>	<u>255,539</u>	<u>33.51</u>	<u>199,163</u>	<u>33.11</u>

- (e) The income tax asset corresponds to the subsidiaries that, as of December 31, 2023, maintain a credit for this tax, which, at those dates, amounts to approximately S/27,399,000 (approximately S/70,329,000 as of December 31, 2022); see note 7(a).

The income tax liability is presented net of the advanced payments of this tax for S/253,127,000 and corresponds to the subsidiaries that maintain income tax payable. As of December 31, 2023 and 2022, the income tax payable amounts to S/81,847,000 and S/13,086,000, respectively.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

### 15. Trade accounts payable

As of December 31, 2023 and 2022, trade payables amount to S/1,808,027,000 and S/1,853,560,000, respectively, and mainly correspond to obligations with non-related local suppliers, denominated in local and foreign currency, from the purchase of goods to be sold in the stores of the Company and its Subsidiaries, with current maturities and that do not bear any interest. There have been no liens granted on these obligations.

The Company and its Subsidiaries offer their suppliers access to an accounts payable services arrangement provided by 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 the Company and its Subsidiaries reduce payment processing costs. The Company and its Subsidiaries have no direct financial interest in these transactions. All the Company and its Subsidiaries' obligations, including amounts due, remain due to its suppliers as stated in the supplier agreements.

### 16. Other accounts payable

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

	2023 S/(000)	2022 S/(000)
<b>By nature -</b>		
Employees profit sharing (c)	87,815	75,705
Salaries and social benefits	35,577	34,238
Contingencies accruals, note 27(b)	33,780	35,613
Vacations payable	32,708	33,147
Value added tax	31,328	27,405
Provision for retirement and eviction pensions (d)	23,362	23,761
Deposits from third parties	18,063	4,670
Deferred income the loyalty program of clients (e)	17,676	15,277
Other taxes payable	13,015	16,045
Interest payable, notes 17(f) and 18(e)	6,312	10,790
Other	6,323	4,823
	<u>305,959</u>	<u>281,474</u>
<b>By time -</b>		
Current portion	248,395	243,662
Non - current portion	57,564	37,812
	<u>305,959</u>	<u>281,474</u>

(b) The above items have current maturities and do not bear interest. There have been no liens granted on them.

## Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

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

- (c) In accordance with the employee profit sharing regime in force regulated by the Legislative Decree 677, the employees of the companies in Peru have the right to receive a participation of between 5 and 8 percent of taxable income, 50 percent of that amount is distributed pro rata amongst all the employees on the basis of the days worked and the remaining balance in proportion with the basic remunerations perceived in the period.
- (d) In accordance with the labor law in Ecuador, the workers who meet certain conditions during their labor period, will have the right to be retired by their employers or to receive a pension in case the labor relationship has been produced by eviction. The provision for retirement and eviction pensions is determined by an external qualified actuarial, using market factors and estimation in accordance with the actuarial methodology and considering the labor law in Ecuador.

The provision for retirement and eviction pensions as of December 31, 2023 and 2022, covers in 100 percent the amount that was estimated in the actuarial valuation.

- (e) Mainly related to the loyalty program "Monedero del ahorro" that is granted by the Company and its Subsidiaries to their clients, whose accumulate points through their purchases in stores that can be exchanged for products offered by the Company and its Subsidiaries. As of December 31, 2023 and 2022, Management estimates that the deferred income as of that date fairly reflects the future exchanges of their clients.

Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

Notes to the consolidated financial statements (continued)

17. Financial obligations

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

Type of obligation	Original currency	Interest rate	Maturity	Book value	
				2023 S/(000)	2022 S/(000)
<b>Leasing (b) -</b>					
<b>Non - related parties</b>					
Hewlett Packard S.A. (c)	US\$	Between 0.28 and 5.92	2027	46,830	35,964
Inversiones Nueva Capital Peru S.A.	US\$	Between 1.8 and.29	2025	1,297	405
Nuevo Capital Leasing Peru S.A.C.	US\$	5.28	2025	1,287	1,933
				<u>49,414</u>	<u>38,302</u>
<b>Notes and loans (d) -</b>					
<b>Related parties, note 26(b)</b>					
Banco Internacional del Perú S.A.A.- Interbank	S/	3.75	2026	219,086	218,592
Banco Internacional del Perú S.A.A.- Interbank	S/	6.95	2023	-	20,000
<b>Non - related parties</b>					
Scotiabank Perú S.A.	S/	3.75	2026	328,631	327,890
Scotiabank Perú S.A.	S/	Between 8.70 and 10.24	2023	-	181,000
Banco de Crédito del Perú	S/	Between 8.60 and 9.05	2023	-	20,000
Banco de Crédito del Perú	S/	10.32	2028	1,265	-
BBVA Continental S.A.	S/	Between 8.71 and 9.62	2023	-	50,000
Banco Pichincha C.A.	US\$	7.75	2023	-	11,460
				<u>548,982</u>	<u>828,942</u>
<b>Financed premium "Call Spread", and "RPOS"</b>					
Citibank N.A.	S/	8.665	2028	11,510	13,536
Citibank N.A.	S/	8.442	2028	23,097	27,188
				<u>34,607</u>	<u>40,724</u>
				<u>633,003</u>	<u>907,968</u>
Current portion				23,646	300,897
Non - current portion				609,357	607,071
				<u>633,003</u>	<u>907,968</u>

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

- (b) As of December 31, 2023 and 2022, leasing contracts in local and foreign currency, intended mainly for the equipment of commercial stores and warehouses of the Company and its Subsidiaries. In accordance with the provisions of the lease contracts, the guarantees that the Company and its Subsidiaries maintain with the financial entities are the same assets related to those contracts, see note 11(a.6).
- (c) Corresponds to the debt acquired by the purchase and financial leasing of computer equipment. These obligations do not have specific guarantees.
- (d) The loans and promissory notes were obtained from local and foreign financial entities and were used mainly for the purchase of machinery and properties, as well as for working capital. Likewise, for some of these loans, the Company and its Subsidiaries must comply with certain financial commitments (covenants):

- Maintain a ratio of net financial debt divided by EBITDA of no more than 4.00x.

In Management's opinion, as of December 31, 2023 and 2022, the Group has complied with the financial requirement ("covenant") indicated above.

- (e) Financial obligations are payable as follows:

	2023 S/(000)	2022 S/(000)
2023	-	300,897
2024	23,646	18,270
2025	295,339	287,853
2026	293,753	286,729
2027	15,200	9,733
2028 onwards	5,065	4,486
	<u>633,003</u>	<u>907,968</u>

- (f) During the years 2023 and 2022, the financial obligations accrued interests and structuring cost for approximately S/39,623,000 and S/54,015,000, respectively, which are included in the caption "Financial costs" in the consolidated income statements; note 25. Likewise, as of December 31, 2023 and 2022, the interest payments of approximately S/2,171,000 and S/6,648,000 are presented in "Other accounts payable" caption of the consolidated statements of financial position, note 16(a).

Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

Notes to the consolidated financial statements (continued)

18. Senior notes issued

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

Type of obligation	Original currency	Interest rate %	Maturity (*)	Original amount S/(000)	2023 S/(000)	2022 S/(000)
Senior Notes Unsecured (c)	S/	6.4375	May, 2025	385,800	385,197	384,786
<b>Total</b>				<u>385,800</u>	<u>385,197</u>	<u>384,786</u>

(\*) The payment of the principal is at maturity; consequently, balances as of December 31, 2023 and 2022 are considered long-term.

- (b) In May 2018, the Company issued "Senior Notes Unsecured" in the international market for S/385,800,000 with a nominal interest rate of 6.4375 percent and maturity in 2025. These borrowings were recorded in the consolidated financial statements at their amortized cost at a 6.559 percent effective interest rate, after considering the respective up-front fees approximately S/603,000 (S/1,014,000 as of December 31, 2022).
- (c) As a result of these issuances certain obligations and restrictive clauses must be complied until their maturity or cancellation. The financial ratio required to the issuer and to the subsidiaries at all times collectively represent at least 85 percent of the Company and Subsidiaries' Consolidated Adjusted EBITDA. In Management's opinion, these clauses do not limit the Company and its Subsidiaries operations and have been complied as of December 31, 2023 and 2022, respectively.
- (d) The accrued interests during the year 2023 and 2022 for these senior notes amounted to approximately S/24,890,000 and are presented in the "Financial costs" caption of the consolidated income statements, see note 25. Likewise, as of December 31, 2023 the outstanding amounts of interest to pay approximately amount to S/4,142,000 (S/4,142,000 as of December 31, 2022) and are presented in the "Other accounts payables" caption of Consolidated Statements of Financial Position, see note 16(a).



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## Notes to the consolidated financial statements (continued)

### 19. Equity

#### (a) Capital stock and capital premium -

As of December 31, 2023 and 2022, 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 subscribed and paid.

Additionally, the caption "Capital premium" includes cash contributions made in previous years for a total amount of approximately S/482,835,000.

The shareholding structure of the Company as of December 31, 2023 and 2022, is presented below:

Shareholders	2023 %	2022 %
Patrimonio En Fideicomiso D.Leg- N° 861 -No Inscrito En La SMV, Dirigido a Inversionistas Institucionales- Inretal Consumer	99.9999%	99.3091%
Intercorp Retail Inc.	0.0001%	0.0001%
Mifarma S.A.C.	-	0.6908%
	<u>100%</u>	<u>100%</u>

#### (b) Legal reserve -

As of December 31, 2023 and 2022, this caption includes the legal reserve established by the Company. As provided in the General Corporations Law, it is required that a minimum of 10 percent of distributable income for each year is transferred to a legal reserve until such reserve equals 20 percent of the capital. The legal reserve can absorb losses or be capitalized, in both cases it must be replenished. The legal reserve is appropriated when the General Shareholders' Meeting approves it.

In Management's opinion, during 2022 the transfer to the legal reserve will be approved, in order to meet the equivalent to 20 percent of the capital stock and reach the legal limit.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

(c) Dividends declared and paid -

Below are the dividends declared and paid during the year 2023 and 2022, respectively, agreed at the General Shareholders' Meeting on dates:

Date	S/	Date	S/
During 2022		During 2023	
16-02-2022	30,000,000	13-01-2023	50,000,000
16-03-2022	30,000,000	13-02-2023	25,000,000
4-04-2022	30,000,000	7-03-2023	25,000,000
6-05-2022	137,140,000	12-04-2023	25,000,000
11-08-2022	25,000,000	3-05-2023	75,000,000
17-10-2022	25,000,000	7-06-2023	25,000,000
22-11-2022	25,000,000	6-07-2023	25,000,000
		9-08-2023	25,000,000
		8-09-2023	25,000,000
		21-11-2023	25,000,000
		20-12-2023	25,000,000

## 20. Tax situation

- (a) The Company and its Subsidiaries are subject to taxation in the country in which they operate and are taxed based on their non-consolidated profits. As of December 31, 2023 and 2022, the income tax rates on taxable income in the main countries in which the Company and its Subsidiaries operate are:

	Tax rates	
	2023	2022
	%	%
Peru	29.50	29.50
Ecuador	25.00	25.00
Bolivia	25.00	25.00

According to existing legislation in some countries as of December 31, 2023 and 2022, cash dividends for non-domiciled shareholders are taxable for income tax according to the following rates:

	Tax rates	
	2023	2022
	%	%
Peru	5.00	5.00
Ecuador	10.52	10.52
Bolivia	12.50	12.50

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

- (b) For the purpose of determining income tax, transfer pricing of transactions with related companies and with companies' resident in territories with low or no taxation, must be supported with documentation and information on the valuation methods used and the criteria considered in its determination. Based on the analysis of operations, Management and its legal advisors believe that, as a result of the application of the regulation in force, significant contingencies will not arise for the companies as of December 31, 2023 and 2022.
- (c) The tax authority is legally entitled to review and, if necessary, adjust the Income Tax computed during a period of four years following the year in which the tax return has been submitted. In addition, the income tax and general sales tax returns of the Company and its Subsidiaries are subject to examination by the Tax Administration for the periods detailed below:

	Income tax	Valued added - tax
InRetail Pharma S.A.	2019 al 2022	2018 al 2023
Eckerd Amazonía S.A.C.	2018 al 2021	2018 al 2021
Boticas del Oriente S.A.C.	2018 al 2021	2018 al 2021
Quicorp S.A.	2018 al 2022	2018 al 2023
Química Suiza S.A.C.	2019 al 2022	2018 al 2023
Mifarma S.A.C.	2018 al 2022	2018 al 2023
Albis S.A.C.	2018 al 2021	2018 al 2021
Jorsa de la Selva S.A.C.	2018 al 2022	2018 al 2023
Vanttive S.A.C.	2018 al 2022	2018 al 2023
Quimiza Ltda. (Bolivia)	2016 al 2022	2016 al 2023
Quifatex S.A. (Ecuador)	2020 al 2022	2020 al 2023
Vanttive Cía. Ltda. (Ecuador)	2020 al 2022	2020 al 2023
Farmacias Peruanas S.A.	2018	2018
Boticas Torres de Limatambo S.A.C.	2018	2018
Droguería La Victoria S.A.C.	2018	2018
Química Suiza Comercial S.A.C.	2018	2018
Droguería InRetail Pharma S.A.C.	2019 al 2022	2019 al 2022
Farmacias Peruanas S.A.C.	2020 al 2022	2020 al 2023
Boticas IP S.A.C.	2021 al 2022	2021 al 2023

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 Company and its Subsidiaries, therefore, any major tax or surcharge that may result from eventual revisions by the tax authority would be charged to the income statements of the period in which that tax or surcharge is determined. In opinion of Management and its legal advisors, any eventual additional tax settlement on the years opened to revision by the tax authority or on the ongoing revision would not be significant to consolidated financial statements as of December 31, 2023 and 2022.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

- (d) As of December 31, 2023, the tax loss carryforward determined by the subsidiary Quicorp S.A amounts to approximately S/57,000. Management of the Company and its subsidiaries has decided to opt for the loss carryforward system for a maximum of 4 years from the year in which taxable income is earned.

For this reason, as of December 31, 2023, the Company and its Subsidiaries have utilized the tax loss, therefore a deferred tax asset is not recognized.

### 21. Net sales

The table below presents the components of this caption:

	2023 S/(000)	2022 S/(000)
Income from sales in pharmaceutical stores	6,104,066	5,964,033
Manufacturing, distribution and others	2,308,761	2,353,818
Income for rendering of services	378,239	350,401
	<u>8,791,066</u>	<u>8,668,252</u>

### 22. Cost of sales

The table below presents the components of this caption:

	2023 S/(000)	2022 S/(000)
Initial balance of goods, note 8(a)	1,266,646	1,235,753
Initial materials and other supplies, note 8(a)	968	1,734
Purchase of goods	5,905,404	6,003,711
Direct labor, note 23(b)	17,873	16,038
Depreciation, note 11(a)	1,447	1,790
Depreciation of right-of-use assets, note 11(b.4)	2,506	1,647
Amortization of intangibles assets, note 12(a)	4	8
Other service expenses	17,541	15,409
Recoveries, note 8(d)	(20,066)	(11,955)
Low-value lease, note 11(b.3)	286	78
Final materials and other supplies, note 8(a)	(2,209)	(968)
Final balance of goods, note 8(a)	<u>(1,202,799)</u>	<u>(1,266,646)</u>
	5,987,601	5,996,599
<b>Plus -</b>		
Impairment of inventories, note 8(d)	<u>32,554</u>	<u>27,246</u>
	<u>6,020,155</u>	<u>6,023,845</u>

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Notes to the consolidated financial statements (continued)

23. Selling and administrative expenses

(a) The table below presents the components of these captions:

	2023			2022		
	Selling expenses S/(000)	Administrative expenses S/(000)	Total S/(000)	Selling expenses S/(000)	Administrative expenses S/(000)	Total S/(000)
Personnel expenses (b)	731,089	147,354	878,443	755,980	160,058	916,038
Services provided by third parties	256,941	106,508	363,449	263,474	94,702	358,176
Depreciation expense of right-of-use assets, note 11(b.4)	262,583	5,197	267,780	261,035	4,241	265,276
Depreciation of real estate, installations, furniture and team, note 11(a)	121,320	11,848	133,168	83,701	12,847	96,548
Amortization of intangible assets, note 12(a)	11,690	27,162	38,852	47,158	13,656	60,814
Advertising	61,652	18	61,670	55,318	33	55,351
Other charges	34,456	11,659	46,115	37,725	15,855	53,580
Rental of premises (short-term and low-value), note 11(b.3)	14,999	711	15,710	34,017	1,040	35,057
Taxes	8,605	10,057	18,662	7,832	14,194	22,026
Packing and packaging	6,218	110	6,328	12,939	659	13,598
Insurances	12,621	1,371	13,992	10,289	2,227	12,516
Provision for doubtful accounts, net of recoveries, notes 6(e) and 7(f)	6,093	13	6,106	5,915	2,994	8,909
	<u>1,528,267</u>	<u>322,008</u>	<u>1,850,275</u>	<u>1,575,383</u>	<u>322,506</u>	<u>1,897,889</u>

(b) The table below presents the components of the personnel expenses:

	2023 S/(000)	2022 S/(000)
<b>By nature -</b>		
Remunerations	533,948	546,323
Legal bonuses	98,704	106,432
Vacations	41,508	62,236
Contributions	59,168	55,352
Severance indemnity	48,307	49,294
Employees profit sharing	65,582	46,764
Other	49,099	65,675
	<u>896,316</u>	<u>932,076</u>
<b>By function -</b>		
Selling expenses note, 23(a)	731,089	755,980
Administrative expenses, note 23 (a)	147,354	160,058
Costs of sale, note 22	17,873	16,038
	<u>896,316</u>	<u>932,076</u>

The average number of directors and employees in the Company and its Subsidiaries was 21,681 and 22,505 for the years 2023 and 2022, respectively.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

### 24. Other income and other expenses

The table below presents the components of this caption:

	2023 S/(000)	2022 S/(000)
<b>Other income -</b>		
Disposal of lease liability	18,533	22,413
Income from sale of property, installations, furniture and equipment	668	463
Income from sale of shares	-	49,745
Reversal of prior year provisions (a)	-	13,782
Contingencies recovered	-	3,525
Foreign exchange outflow tax income	-	1,125
Other	7,534	7,798
	<u>26,735</u>	<u>98,851</u>
<b>Other expenses -</b>		
Net cost of sale and disposal of right of use assets, note 11(b)	17,436	20,601
Indemnities	7,301	-
Net cost of sale and disposal of property, installations, furniture and equipment, note 11(a) and Net cost of sale and disposal of intangibles, note 12(a)	1,182	1,189
Net cost per sale of shares	-	49,745
Other	1,887	618
	<u>27,806</u>	<u>72,153</u>

- (a) For the year 2022, it corresponds mainly to approximately S/11,368,000 for the prescription of contingent liabilities of Essalud, reversal of excess provision for contingent liabilities of Farmacias Peruanas S.A. (FASA) for S/1,941,000 and S/203,000 of reversal of other provisions.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

### 25. Financial income and financial costs

The table below presents the components of this caption:

	2023 S/(000)	2022 S/(000)
<b>Financial income -</b>		
Interest on bonds	3,626	3,732
Interest on time deposits	7,536	3,331
Interest on bank deposits	-	2,463
Dividends received	-	983
Other financial income	5,261	3,284
	<u>16,423</u>	<u>13,793</u>
<b>Financial costs -</b>		
Interests for related-party loans, note 26(c)	47,947	50,558
Interest expense on lease liabilities, note 11(b.2) and 11(b.3)	41,970	39,897
Interest on financial obligations and structuring costs, note 17(f)	39,623	54,015
Interest and structuring cost on senior notes issued, note 18(e)	24,890	24,890
Linear premium accrual of derivative financial instruments, note 10(b)	19,364	19,501
Expenses from the early settlement of "Call Spread", note 10(b)	7,602	7,477
Other financial costs	7,851	8,048
	<u>189,247</u>	<u>204,386</u>

### 26. Transactions with related parties

(a) The main transactions between the Company and its Subsidiaries and their related parties have been recorded in the consolidated income statement as follows:

	2023 S/(000)	2022 S/(000)
<b>Expenses -</b>		
Reimbursements of expenses	3,400	3,732
Interests for related-party loans, note 25 and (c)	47,947	50,558
<b>Other transactions -</b>		
Sale of financial investments at fair value through other comprehensive income	-	49,745
Payment of financial obligations to Banco Internacional del Perú S.A.A. - Interbank	(20,000)	(37,900)
Dividends paid, note 19(c)	(350,000)	(302,140)

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

- (b) As a result of the transactions with related parties, the Company and its Subsidiaries have the following balances of receivables and payables as of December 31, 2023 and 2022:

	2023 S/(000)	2022 S/(000)
<b>Cash and cash equivalents -</b>		
<b>Banco Internacional del Perú S.A. - Interbank</b>		
Current accounts	<u>104,177</u>	<u>53,899</u>
<b>Financial assets at fair value through other comprehensive income -</b>		
InRetail Consumer, note 9(b)	99,335	98,485
<b>Trade accounts receivable -</b>		
Agora Servicios Digitales S.A.C.	10,025	2,126
Supermercados Peruanos S.A.	9,091	14,847
Financiera OH S.A.	7,114	755
Other	584	944
	<u>26,814</u>	<u>18,672</u>
<b>Accounts payable</b>		
<b>Trade accounts payable -</b>		
Agora Servicios Digitales S.A.C.	9,068	2,046
Financiera Oh! S.A.	5,375	5,430
IR Management S.R.L.	2,075	1,569
Indigital XP S.A.C.	1,616	1,479
Patrimonio Interproperties Perú	885	367
Supermercados Peruanos S.A.	829	5,016
Compañía Food Retail S.A.C.	541	-
Real Plaza S.A.	321	125
Otros	564	390
<b>Non - trade</b>		
Patrimonio en Fideicomiso D.S. N ° 093-2002-EF-		
InRetail Consumer (c)	1,338,408	1,367,276
	<u>1,359,682</u>	<u>1,383,698</u>
<b>By - Term</b>		
Current portion	34,659	30,157
Non-current portion	<u>1,325,023</u>	<u>1,353,541</u>
	<u>1,359,682</u>	<u>1,383,698</u>
<b>Financial obligations</b>		
Banco Internacional del Perú S.A.A. - Interbank, note 17(a)	<u>219,086</u>	<u>238,592</u>



# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

- (c) Corresponds to two loans for US\$288,000,000 and S/266,400,000, granted by InRetail Consumer in March 2021, both with a maturity of seven years and annual interest rate of 3.25 and 4.90 percent, respectively. During 2023 and 2022, the loan generated interest and structuring cost of approximately S/50,558,000 and S/41,712,000, respectively, which are included in "Financial expenses" in the statement of comprehensive income, note 25. It is worth mentioning that the Company acquired three derivative financial instruments to hedge the exchange rate effect of the loan in U.S. dollars, see note 10(b).
- (d) The remuneration of key personnel for the years 2023 and 2022, was approximately S/23,971,000 and S/37,471,000, respectively.

### 27. Commitments and contingencies

#### (a) Commitments -

As of December 31, 2023, the Company and its Subsidiaries maintain guarantees granted to third parties through letters of guarantee related mainly to the purchase of merchandise. These guarantees amount to approximately S/49,565,603, US\$ 4,731,282 and B\$ 179,314 (approximately S/42,837,142, US\$4,288,216 and B\$ 276,623 as of December 31, 2022).

Additionally, in May 2018 the Company issued debt instruments in the local and abroad markets for S/385,800,000, which is guaranteed by the following subsidiaries: Quicorp S.A., Química Suiza S.A.C. and Mifarma S.A.C.

#### (b) Contingencies -

(b.1) As of December 31, 2022, InRetail Pharma S.A., Química Suiza S.A.C., Mifarma S.A.C., and Jorsa de la Selva S.A.C in coordination with their legal advisors, maintain contingency provisions for a total amount of approximately S/33,780,000 (view note 16(a)) (S/35,613,000 as of December 31, 2022).

In Management's opinion and its legal advisors, such legal processes must be resolved favorably for these components; consequently, it is not necessary to recognize additional related liabilities as of December 31, 2023 and 2022.

(b.2) Eckerd Amazonia S.A.C. is in the process of claiming against the Tax Authority for determinations of debts and fines related to VAT for the period between January 2003 and June 2005 for approximately S/17,942,000. In August 2021, Coercive Collection Resolutions were issued for the total amount claimed; these resolutions were canceled by the entity within the established period. It should be noted that the payments are presented under the heading "Other accounts receivable, net" of the consolidated statement of financial position, within the claims and deliveries to be rendered; however, such payment will be claimed to the Tax Authority and in Management's opinion and its legal advisors, that the matter will be resolved in a favorable manner.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

(b.3) As of December 31, 2022, InRetail Pharma S.A., Química Suiza S.A.C., Mifarma S.A.C., Jorsa de la Selva S.A.C. and Cifarma S.A.C. maintain various civil, labor and tax legal processes for a total amount of S/62,171,000 (S/70,058,000 as of December 2022). In Management's opinion and its legal advisors, such legal processes must be resolved favorably for these components; consequently, it is not necessary to recognize additional related liabilities as of December 31, 2023 and 2022.

### 28. Objectives and policies of financial risk management

Due to the nature of the activities of the Company and its Subsidiaries, they are exposed to credit risk, interest rate risk, liquidity risk, and foreign currency risk, which are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company and its Subsidiaries' continuing profitability, and each individual within the Company and its Subsidiaries is accountable for the risk exposures relating to his or her responsibilities. The independent risk control process does not include business risks such as changes in the environment, technology and industry. These are monitored through the Company and its Subsidiaries' strategic planning process.

#### (a) Risk management structure -

The Board of Directors of the Company and its Subsidiaries is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies in the Company and its Subsidiaries responsible for managing and monitoring risks, as further explained below:

##### (i) Board of Directors -

The Companies' Board of Directors is responsible for the overall risk management approach and for the approval of policies and strategies currently in place. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, liquidity risk and capital management.

##### (ii) Finance Management -

Finance Management is responsible for managing daily the cash flows of the Company and its Subsidiaries, taking into account the policies, procedures and limits established by the Board of Directors and the Management of the Company and its Subsidiaries. Likewise, it manages the procurement of credit lines from financial entities, when it is necessary.

#### (b) Mitigation of risks -

As part of the risk management, the Company and its Subsidiaries constantly assess the different scenarios and identify the different strategies to manage the expositions resulting from changes in interest rates, foreign currency risk, capital risk and credit risk.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

### 28.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. The financial instruments of the Company and its Subsidiaries are affected by exchange rate risk and interest rate risk.

- (i) Foreign currency risk -  
Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Finance Managers of the Company and its Subsidiaries are responsible for identifying, measuring, controlling and informing on the exposure to global exchange rate risk of the Company and its Subsidiaries. Foreign currency risk arises when the Company and its Subsidiaries present mismatches between their assets and liabilities in foreign currency. Management monitors this risk through the analysis of the macroeconomic variables of the country.

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by the Superintendence of Banks, Insurance and Pension Funds Administration. As of December 31, 2023, the weighted average exchange rates in the market for transactions in US Dollars were S/3.705 per US\$1.00 bid and S/3.713 per US\$1.00 ask (S/3.808 per US\$1.00 bid and S/3.820 per US\$1.00 ask as of December 31, 2022).

Transactions in foreign currency are using the exchange rates current in the market as published by authorized entities of the country in which the Company and its Subsidiaries operate. The weighted average exchange rate in the market for the transactions of the different currencies in relation to the Sol are as follows:

Exchange rate per Sol	2023	2022
US Dollars (US\$)	0.269	0.262
Boliviano (B\$)	1.874	1.822
Euros€ (000)	0.228	0.229
Fr (000)	0.197	0.230

## Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

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

As of December 31, 2023 and 2022, the Company and its Subsidiaries had the assets and liabilities in thousands of US Dollars and Bolivianos:

	2023				2022			
	US\$(000)	B\$(000)	\$(000)	FR(000)	US\$(000)	B\$(000)	\$(000)	FR(000)
<b>Assets -</b>								
Cash and cash equivalents	10,207	17,663	-	-	29,914	9,075	-	-
Trade accounts receivables, net	69,035	32,622	-	-	73,764	21,867	-	-
Other accounts receivables, net	10,849	2,245	-	-	15,463	4,688	-	-
Accounts receivables from related parties					39	-	-	-
Financial assets at fair value through other comprehensive income	26,811	-	-	-	25,863	-	-	-
	<u>116,902</u>	<u>52,530</u>	<u>-</u>	<u>-</u>	<u>145,043</u>	<u>35,630</u>	<u>-</u>	<u>-</u>
<b>Liabilities -</b>								
Trade accounts payables	(123,651)	(8,617)	(3,440)	(514)	(121,089)	(10,254)	(3,484)	(521)
Accounts payables to related parties	(290,681)	-	-	-	(290,651)	-	-	-
Other accounts payables	(6,608)	(5,642)	-	-	(6,728)	(5,450)	-	-
Lease liabilities	(92,378)	(2,927)	-	-	(96,983)	(288)	-	-
Financial obligations	(13,309)	-	-	-	(13,028)	-	-	-
	<u>(526,627)</u>	<u>(17,186)</u>	<u>(3,440)</u>	<u>(514)</u>	<u>(528,479)</u>	<u>(15,992)</u>	<u>(3,484)</u>	<u>(521)</u>
<b>Derivative financial instrument</b>								
Call Spread, note 10(b)	138,000	-	-	-	138,000	-	-	-
Range Principal Only Swap, note 10(b)	150,000	-	-	-	150,000	-	-	-
Net (liabilities) asset position	<u>(121,725)</u>	<u>35,344</u>	<u>(3,440)</u>	<u>(514)</u>	<u>(95,436)</u>	<u>19,638</u>	<u>(3,484)</u>	<u>(521)</u>

During 2023 and 2022, the Company and its Subsidiaries have recognized a net foreign exchange gain of approximately S/15,751,000 and a loss of approximately S/18,847,000, respectively, which is presented in the caption "Exchange difference, net" in the consolidated income statements.

The following table presents the sensitivity analysis of US Dollars (the only currency different from the functional currency where the Company and its Subsidiaries have a significant exposition as of December 31, 2022 and 2021), on the monetary assets and liabilities and on the estimated cash flows. The analysis determines the effect of a reasonably possible change in the US Dollar exchange rate, with all other variables held constant in the consolidated income statements before income tax. A negative amount shows a potential net decrease in the consolidated statements of comprehensive income, whereas a positive amount reflects a potential net increase.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

Sensitivity analysis	Change in Exchange rates %	Gain/(loss) before taxes	
		2023 S/(000)	2022 S/(000)
<b>Devaluation -</b>			
US\$ Dollars	5	22,598	18,228
US\$ Dollars	10	45,196	36,456
Bolivianos	5	(943)	(537)
Bolivianos	10	(1,886)	(1,074)
Euros	5	753	760
Euros	10	1,506	1,519
Swiss Francs	5	131	113
Swiss Francs	10	261	227
<b>Revaluation -</b>			
US\$ Dollars	5	(22,598)	(18,228)
US\$ Dollars	10	(45,196)	(34,456)
Bolivianos	5	943	537
Bolivianos	10	1,886	1,074
Euros	5	(753)	(760)
Euros	10	(1,506)	(1,519)
Swiss Francs	5	(131)	(113)
Swiss Francs	10	(261)	(227)

(ii) Interest rate risk -

The policy of the Company and its Subsidiaries is to maintain financial instruments that carry fixed interest rates, which is why the operating cash flows of the Company and its Subsidiaries are substantially independent from the changes in market interest rates. In this sense, in Management's opinion, the Company and its Subsidiaries do not have a relevant exposition to interest rates risk.

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

### 28.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company and its Subsidiaries are exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks.

(i) Accounts receivables -

Accounts receivables are periodically reviewed to ensure their recovery. Trade accounts receivable from sale of goods, and in Management opinion, as of December 31, 2023 and 2022, are collectible from clients with credit solvency and strength and large credit lines, which ensure the timely collection of receivables. In case of trade accounts receivable for retail sales, which are mainly generated by sales with credit cards, the credit risk is minimal because they have a period from 2 to 4 days to become cash.

Additionally, the Company and its Subsidiaries present receivables from third parties and related parties, as a result from the sale of goods (see notes 6 and 26(b)), with credit solvency and strength and large credit lines, which ensure the timely collection of receivables.

The maximum exposition to credit risk for the components of consolidated financial statements as of December 31, 2023 and 2022 is their carrying value as illustrated in notes 6, 7, and 26(b).

In Management's opinion, the Company and its Subsidiaries do not have concentrations of credit risk as of December 31, 2023 and 2022.

(ii) Financial instruments and bank deposits -

The credit risk of the cash in Banks is managed by Finance Management in accordance with the policies of the Company and its Subsidiaries; likewise, credit risk related to available-for-sale financial investments is managed by the Company and its Subsidiaries together with Corporate Management of Finance and Administration of the economic group they belong to; see note 1(a). The limits of the counterparty credit are reviewed by Management and the Board of Directors. The limits are established to minimize the concentration of risk, and, as a consequence, to mitigate financial losses from potential default of the counterparty.

The maximum exposition to credit risk for the components of the consolidated financial statements as of December 31, 2023 and 2022 comes from the captions cash and cash equivalents, trade accounts receivable, accounts receivable from related parties, other accounts receivable and financial investments at fair value through other comprehensive income.

## Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

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

#### 28.3 Liquidity risk

Liquidity risk is the risk that the Company and its Subsidiaries could not comply with their payment obligations related to financial liabilities at maturity and replace the funds when they are retired. The consequence would be the default in the payment of their obligations to third parties.

Liquidity is controlled through the match of maturities of the assets and liabilities, through the obtention of credit lines and/or by maintaining the liquidity surplus, which allow the Company and its Subsidiaries to develop their activities normally. Liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit sources and the ability to settle transactions, mainly debt.

The table below summarizes the maturity profile of the Company and its Subsidiaries financial liabilities based on contractual undiscounted payments:

	Up to 1 month S/(000)	1 to 3 months S/(000)	3 to 12 months S/(000)	More than 1 year S/(000)	Total S/(000)
<b>As of December 31, 2023 -</b>					
Trade accounts payables	1,513,070	255,867	39,090	-	1,808,027
Accounts payables to related parties	-	20,210	14,449	1,325,023	1,359,682
Other accounts payables	133,720	42,354	74,714	31,809	282,597
Current income tax payables, net	81,847				81,847
<b>Lease liabilities -</b>					
Principal amortization	21,828	57,819	150,868	431,846	662,361
Interests amortization	3,371	7,937	22,958	16,255	50,521
<b>Senior notes and financial obligations on long term -</b>					
Principal amortization	687	6,749	16,279	994,485	1,018,200
Interests amortization	132	6,368	20,685	20,129	47,314
	<u>1,754,655</u>	<u>397,304</u>	<u>339,043</u>	<u>2,819,547</u>	<u>5,310,549</u>
<b>As of December 31, 2022 -</b>					
Trade accounts payables	563,830	1,218,851	70,879	-	1,853,560
Accounts payables to related parties	9,248	20,860	49	1,353,541	1,383,698
Other accounts payables	154,000	45,876	53,964	3,873	257,713
Current income tax payables, net	13,086	-	-	-	13,086
<b>Lease liabilities -</b>					
Principal amortization	24,355	59,120	142,551	406,095	632,121
Interests amortization	3,034	4,556	7,285	33,889	48,764
<b>Senior notes and financial obligations on long term -</b>					
Principal amortization	42,094	216,483	42,320	991,857	1,292,754
Interests amortization	8,739	16,330	95,495	77,467	198,031
	<u>818,386</u>	<u>1,582,076</u>	<u>412,543</u>	<u>2,866,722</u>	<u>5,679,727</u>

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## Notes to the consolidated financial statements (continued)

### 28.4 Capital management risk

The objectives of the Company and its Subsidiaries when managing capital is to ensure they have a strong credit qualification and to maintain sound capital ratios to support the business and maximize the value for shareholders.

The Company and its Subsidiaries manage their capital structure and make pertinent adjustments depending on changes in economic conditions. In order to maintain and adjust their capital structure, the Company and its Subsidiaries might modify the payments of dividends to shareholders, reimburse them capital stock or issue new shares. During 2023 and 2022 there were no modifications in the objectives, policies or processes related to capital management.

The Company and its Subsidiaries controls the capital using a debt ratio, defined as the quotient between the net debt and equity plus net debt. The Company and its Subsidiaries has the policy of maintaining the debt ratio between 82 and 93 percent. The Company and its Subsidiaries include in the net debt the financial obligations, trade accounts payable, accounts payable to related parties, other payables, income tax liabilities and senior notes issued, less cash and cash equivalents.

	2023 S/(000)	2022 S/(000)
Financial obligations (note 17)	633,003	907,968
Trade accounts payable, accounts payable to related parties, other accounts payable and income tax liability (notes 15, 26(b), 16 and 14(e))	3,542,967	3,530,832
Lease liabilities, note 11(b.2)	662,361	632,121
Senior note issued, note 18	385,197	384,786
Less: Cash and cash equivalents (note 5)	(345,122)	(347,282)
<b>Net debt (a)</b>	<b>4,878,406</b>	<b>5,108,425</b>
Equity	709,021	526,124
<b>Capital stock and net debt (b)</b>	<b>5,587,427</b>	<b>5,634,549</b>
<b>Leverage ratio (a/b)</b>	<b>87%</b>	<b>91%</b>



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Notes to the consolidated financial statements (continued)

28.5 Changes in liabilities arising from financing activities

The table below presents the changes in liabilities arising from financing activities:

	Balance at beginning of year S/(000)	Dividends declared S/(000)	Accrued interests S/(000)	New leasing S/(000)	Other S/(000)	Exchange difference S/(000)	Cash flows S/(000)	Balance at end of year S/(000)
<b>As of December 31, 2023 -</b>								
Dividends paid	-	350,000	-	-	-	-	(350,000)	-
Financial obligations	1,292,754	-	-	40,430	1,646	(532)	(316,098)	1,018,200
Loan payable to related parties	1,366,560	-	6,409	-	(64,444)	-	-	1,308,525
Interests for financial obligations	10,790	-	64,513	-	-	-	(65,049)	10,254
Lease liabilities	632,121	-	41,970	339,390	(17,212)	(19,948)	(313,960)	662,361
<b>Liabilities to financing activities</b>	<b>3,302,225</b>	<b>350,000</b>	<b>112,892</b>	<b>379,820</b>	<b>(80,010)</b>	<b>(20,480)</b>	<b>(1,045,107)</b>	<b>2,999,340</b>
<b>As of December 31, 2022 -</b>								
Dividends paid	-	302,140	-	-	-	-	(302,140)	-
Financial obligations	1,349,227	-	-	23,935	-	390	(80,798)	1,292,754
Loan payable to related parties	1,336,320	-	-	-	-	30,240	-	1,366,560
Interests for financial obligations	7,268	-	78,905	-	-	(1,579)	(73,804)	10,790
Lease liabilities	568,211	-	39,897	362,450	(24,300)	(19,587)	(294,550)	632,121
<b>Liabilities to financing activities</b>	<b>3,261,026</b>	<b>302,140</b>	<b>118,802</b>	<b>386,385</b>	<b>(24,300)</b>	<b>9,464</b>	<b>(751,292)</b>	<b>3,302,225</b>

# Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

## Notes to the consolidated financial statements (continued)

### 29. Fair value

The methodologies and assumptions used by the Company and its Subsidiaries to determine the estimated market values, depend on the stipulations and characteristics of the risks of the financial instruments, and include the following:

- (a) Financial instruments whose fair value is similar to book value -  
For the assets and liabilities that are liquid or have short-term maturity (less than three months), it is considered that the carrying value is similar to their fair value. This assumption is applicable too for the time deposits and savings accounts with no specific maturity. These instruments are classified in the Level 1 of the hierarchy of 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 instruments. These instruments are classified in the Level 2 of the hierarchy of fair value.
- (c) Financial investments at fair value through other comprehensive income and financial instruments at fair value through profit or loss -  
The fair value of financial investments at fair value through other comprehensive income or through profit or loss is based on the quoted prices of active markets, if available; in the case they are not available, the fair value is estimated using the discounted cash flow method. These instruments are classified in the Level 2 of the hierarchy of fair value.
- (d) Derivative financial instruments, financial obligations, lease liabilities and senior notes issued -  
These fair values were determined by level 3 of the hierarchy, their fair values were determined by comparing the market interest rates at the time of initial recognition with the current market rates related to similar financial instruments. The comparison between the book values and the fair values of these financial instruments, is presented below:

	2023		2022	
	Book value S/(000)	Fair value S/(000)	Book value S/(000)	Fair value S/(000)
Derivative financial instrument - "Call Spread"	31,839	31,839	57,107	57,107
Financial obligations	633,003	611,846	907,968	870,604
Lease liabilities	662,361	662,361	632,121	632,121
Senior notes issued	385,197	394,837	384,786	396,201

## Translation of independent auditors' report and financial statements originally issued in Spanish - Note 31

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

Based on the criteria described above, Management estimates that no have significant differences between the book values and the fair value of the financial instruments of the Company and its Subsidiaries as of December 31, 2023 and 2022.

#### **30. Subsequent events**

Since December 31, 2024, until the date of this report, no significant events have occurred that affect the financial statements, in addition to those disclosed in the notes to the financial statements.

#### **31. Explanation added for translation to English language**

The accompanying consolidated financial statements were originally issued in Spanish and are presented based on International Financial Reporting Standards "IFRS" as described in Note 4. These consolidated financial statements should be read in conjunction with the Spanish consolidated financial statements, in the event of a discrepancy the Spanish language version prevails.

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