

InRetail Pharma S.A. and Subsidiaries

Interim consolidated financial statements as of June 30, 2022
(non-audited) and December 31, 2021 (audited) and for the six-
month period ended June 30, 2022 and 2021

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Interim consolidated financial statements as of June 30, 2022 and December 31, 2021 and for the six-month period ended June 30, 2022 and 2021.

Contents

Interim consolidated financial statements

Interim consolidated statements of financial position

Interim consolidated income statements

Interim consolidated statements of comprehensive income

Interim consolidated statements of changes in equity

Interim consolidated statements of cash flows

Notes to the interim consolidated financial statements

InRetail Pharma S.A. and Subsidiaries

Interim consolidated statements of financial position

As of June 30, 2022 (unaudited) and December 31, 2021 (audited)

	Note	2022 S/(000)	2021 S/(000)		Note	2022 S/(000)	2021 S/(000)
Assets				Liabilities and equity			
Current assets				Current liabilities			
Cash and short-term deposits	4	229,896	299,340	Trade payables	11	1,856,138	1,671,957
Trade receivables, net	5	617,024	510,014	Other payables		260,083	274,863
Other receivables, net		80,245	85,861	Accounts payable to related parties	19(b)	21,905	20,057
Accounts receivables from related parties	19(b)	11,602	10,341	Interest-bearing loans and borrowings	13	582,759	358,988
Inventories, net	6	1,537,799	1,367,590	Lease liability	12(c)	180,707	184,389
Taxes recoverable		167,109	189,563	Current income tax	14(b)	3,049	6,026
Prepayments		11,610	5,160	Total current liabilities		2,904,641	2,516,280
Total current assets		2,655,285	2,467,869				
Non-current assets				Non-current liabilities			
Other receivables, net		33,331	32,428	Other payables		3,149	2,231
Investments at fair value through equity	7	133,178	172,206	Accounts payable to related parties	19(b)	1,355,292	1,402,583
Derivative financial instrument	8	86,723	111,926	Interest-bearing loans and borrowings	13	995,559	990,239
Property, furniture and equipment, net	9	798,374	643,770	Lease liability	12(c)	362,683	383,822
Right-of-use assets, net	12(b)	500,430	510,596	Reserves for employee retirement pension funds		24,224	27,111
Intangible assets, net	10	1,845,632	1,853,939	Deferred income tax liabilities, net	14(a)	162,537	167,087
Deferred income tax assets, net	14(a)	129,764	112,340	Total non-current liabilities		2,903,444	2,973,073
Other assets		2,435	2,463	Total liabilities		5,808,085	5,489,353
Total non-current assets		3,529,867	3,439,668				
Total assets		6,185,152	5,907,537	Equity			
				Capital stock	15(a)	15,840	15,840
				Capital premium	15(b)	482,835	482,835
				Other reserves		56,967	32,883
				Unrealized results from derivative financial instruments		(28,814)	(54,514)
				Unrealized results from valuation of investment at fair value		(10,943)	13,265
				Unrealized results from actuarial reserve for retirement		739	739
				Unrealized results from foreign currency translation		3,464	4,094
				Retained earnings		(143,021)	(76,958)
				Total equity		377,067	418,184
				Total liabilities and equity		6,185,152	5,907,537

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

InRetail Pharma S.A. and Subsidiaries

Interim consolidated Income statements

For the six-month period ended June 30, 2022 and 2021

	Note	2022 S/(000)	2021 S/(000)
Net sales of goods		3,940,875	3,857,714
Rental income		48,872	54,500
Rendering of services		107,254	97,910
Revenue		4,097,001	4,010,124
Cost of sales	17	(2,864,517)	(2,792,386)
Gross profit		1,232,484	1,217,738
Selling expenses	17	(757,287)	(748,245)
Administrative expenses	17	(148,050)	(139,198)
Other operating income (expenses), net		14,725	(1,267)
Operating profit		341,872	329,028
Financial income		5,653	2,966
Financial expenses	18	(93,794)	(219,301)
Exchange difference, net		20,575	(22,222)
Profit before income tax		274,306	90,471
Income tax expense	14(a)	(89,725)	(31,488)
Net profit		184,581	58,983
Earnings (loss) per share:			
Basic and diluted profit for the period	20	11.653	3.724

All items above are related to continuing operations.

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

InRetail Pharma S.A. and Subsidiaries

Interim consolidated statements of comprehensive income
For the six-month period ended June 30, 2022 and 2021

	2022	2021
	S/(000)	S/(000)
Profit for the period	184,581	58,983
Other comprehensive income		
Unrealized loss on investments at fair value through equity	(34,338)	(2,711)
Income tax effect	10,130	800
Total other comprehensive income from investments at fair value through equity	(24,208)	(1,911)
Unrealized gains from derivative financial instrument	36,454	23,936
Income tax effect	(10,754)	(7,061)
Total comprehensive income from derivative financial instruments	25,700	16,875
Unrealized (loss) gain from foreign currency translation	(50)	2,060
Total comprehensive income from foreign currency translation	(50)	2,060
Other comprehensive income for the period, net of income tax effects	1,442	17,024
Total comprehensive income for the period	186,023	76,007

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

InRetail Pharma S.A. and Subsidiaries

Interim consolidated statements of change in equity

For the six-month period ended June 30, 2022 and 2021

	Capital stock S/(000)	Capital premium S/(000)	Other reserves S/(000)	Unrealized results from derivative financial instrument S/(000)	Unrealized results from investment at fair value through equity S/(000)	Unrealized results from actuarial reserve for retirement S/(000)	Unrealized results from foreign currency translation S/(000)	Retained earnings S/(000)	Total equity S/(000)
Balance as of January 1, 2021	15,840	482,835	21,023	(46,668)	14,774	1,065	2,115	323,767	814,751
Loss for the period	-	-	-	-	-	-	-	58,983	58,983
Other comprehensive income	-	-	-	16,875	(1,911)	-	2,060	-	17,024
Total comprehensive income	-	-	-	16,875	(1,911)	-	2,060	58,983	76,007
Dividends paid	-	-	-	-	-	-	-	(315,039)	(315,039)
Transfer to other reserve	-	-	2,400	-	-	-	-	(2,400)	-
Other	-	-	(4,025)	-	-	-	169	3,856	-
Balance as of June 30, 2021	15,840	482,835	19,398	(29,793)	12,863	1,065	4,344	69,167	575,719
Balance as of January 1, 2022	15,840	482,835	32,883	(54,514)	13,265	739	4,094	(76,958)	418,184
Profit for the period	-	-	-	-	-	-	-	184,581	184,581
Other comprehensive income	-	-	-	25,700	(24,208)	-	(50)	-	1,442
Total comprehensive income	-	-	-	25,700	(24,208)	-	(50)	184,581	186,023
Dividends paid	-	-	-	-	-	-	-	(227,140)	(227,140)
Transfer to other reserve	-	-	24,084	-	-	-	-	(24,084)	-
Other	-	-	-	-	-	-	(580)	580	-
Balance as of June 30, 2022	15,840	482,835	56,967	(28,814)	(10,943)	739	3,464	(143,021)	377,067

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

InRetail Pharma S.A. and Subsidiaries

Interim consolidated statements of cash flows

For the six-month period ended June 30, 2022 and 2021

	Note	2022 S/(000)	2021 S/(000)
Operating activities			
Revenue		3,985,879	3,886,488
Payment of goods and services to suppliers		(3,185,595)	(2,920,414)
Payment of salaries and social benefits to employees		(431,034)	(410,754)
Taxes paid		(118,911)	(172,059)
Recovery of taxes		-	1,713
Other collections (payments), net		4,843	(2,755)
Net cash flows from operating activities		255,182	382,219
Investing activities			
Sales of property, furniture and equipment		296	-
Sale of subsidiary, net of cash delivered		-	36,792
Purchase of property, furniture and equipment, net of acquisitions through leasing contracts		(134,147)	(44,714)
Purchase and development of intangible assets		(20,790)	(18,125)
Net cash flows used in investing activities		(154,641)	(26,047)
Financing activities			
Proceeds from interest-bearing loans and borrowings, net of structuring cost		450,996	625,418
Proceeds from related entity loans		-	1,336,320
Proceeds from derivative financial instrument settlement		-	21,385
Payment of issued bonds		-	(1,478,000)
Payment of premium for advanced cancelation of senior notes		-	(47,530)
Payment of interest-bearing loans and borrowings		(237,149)	(307,131)
Payment of lease liability	12	(110,411)	(117,801)
Interest payment of lease liability	12	(17,859)	(22,019)
Payment of dividends		(227,140)	(315,039)
Interest paid		(28,422)	(70,445)
Net cash flows used in financing activities		(169,985)	(374,842)
Net decrease of cash and short-term deposits		(69,444)	(18,670)
Cash and short-term deposits at the beginning of the period		299,340	550,113
Cash and short-term deposits at the end of the period		229,896	531,443
Non-cash transactions			
Fixed assets purchased through leasing and other financial obligations		62,696	11,515
Addition of right-of-use assets		107,115	139,745

The accompanying notes are an integral part of these consolidated statements

Notes to the interim consolidated financial statements (continued)

InRetail Pharma S.A. and Subsidiaries

Notes to the interim condensed consolidated financial statements

As of June 30, 2022 and December 31, 2021 and for the six-month period ended June 30, 2022 and 2021

1. Identification, business activity, reorganization process, disposal subsidiaries and pandemic

(a) Identification

InRetail Pharma S.A. (hereinafter “the Company”), was incorporated on August 2, 1996. As of June 30, 2022, the Company is a subsidiary of InRetail Perú Corp. which holds 100.00 percent of the Company’s capital stock (87.02 as of December 31, 2021). Likewise, InRetail Perú Corp. is a subsidiary of Intercorp Retail Inc., which is one of the entities of the Intercorp Perú Group operating in Peru and abroad.

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

(b) Business activity

The Company and its Subsidiaries Drogueria InRetail Pharma S.A.C., Farmacias Peruanas S.A.C., Mifarma S.A.C., Química Suiza S.A.C., Boticas IP S.A.C., Jorsa de la Selva S.A.C., Vanttive S.A.C., FP Servicios Generales S.A.C. and Quicorp S.A. and Subsidiaries (hereinafter and together “InRetail Pharma Group”) are mainly dedicated to operating pharmacies and to the distribution of pharmaceutical products. The InRetail Pharma Group operations are concentrated in the Andean region, with its core market in Peru.

(c) Reorganization process

In order to present a more efficient and organized structure, during 2021 and 2020, several corporate reorganization processes were performed, which involve some subsidiaries as Droguería InRetail Pharma S.A.C., Farmacias Peruanas S.A.C., Mifarma S.A.C., Albis S.A.C., Cifarma S.A.C., Boticas del Oriente S.A.C., Eckerd Amazonia S.A.C. and Quicorp S.A.; 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 June 30, 2022 and December 31, 2021.

(d) Disposal of subsidiaries

On January 22 and February 26, 2021, InRetail Pharma Group transferred 100 percent of its participation in Química Suiza Colombia S.A.S. and Cifarma S.A.C. for approximately US\$1,958,000 (equivalent to S/7,093,000) and US\$9,545,000 (equivalent to S/34,879,000), to non-related entities.

Notes to the interim consolidated financial statements (continued)

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

	2021	
	Química Suiza Colombia S.A.S. S/(000)	Cifarma S.A.C. (Peru) S/(000)
Assets		
Cash and short-term deposits	2,085	2,514
Inventories	4,487	20,001
Property, furniture and equipment, net	207	10,617
Right-of-use assets, net	57	16,960
Intangible assets, net	-	6,907
Other	9,533	25,475
	16,369	82,474
Liabilities		
Trade accounts payables	6,709	14,018
Lease liabilities	92	20,164
Other	5,154	6,641
	11,955	40,823
Net value	4,414	41,651

e) Pandemic

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

In this regard, on March 15, 2020, the Peruvian Government declared a state of emergency nationwide. Among the first actions taken within this National State of Emergency, that included the closing of the borders, compulsory social confinement, the closing of businesses deemed non-essential (exceptions were production, distribution and commercialization of food and pharmaceuticals, financial services and healthcare).

During 2020 and 2021, in order to continue containing and mitigating the spread of COVID-19, the Peruvian Government issued a series of Supreme Decrees, extending the National State of Sanitary Emergency, defining alert levels: moderate, high, very high and extreme; that are granted to each of the regions of Peru, based on an evaluation carried out by the Ministries of Health, with a series of restrictions that vary depending on the level of each region.

In February 2021, after the Peruvian Government concluded its negotiations with different laboratories for the acquisition of vaccines, the distribution of doses to face Covid-19 in our country began. The vaccination schedule was carried out according to age groups, since not all citizens were exposed to the same level of risk of infection. The vaccination process has been developed throughout 2021, and at the end of October 2021, the protocol for applying the booster dose of the vaccine against Covid-19 was established.

Although the vaccination process was advancing rapidly as part of the plan designed to face a possible "third wave", it finally formally began in Peru at the beginning of 2022. As a measure to protect the health of citizens, the Peruvian Government, issued a series of Supreme Decrees, extending the State of Sanitary Emergency and State of National Emergency, until the end of August 2022.

Notes to the interim consolidated financial statements (continued)

In this context, all of the operations of InRetail Pharma S.A. and its Subsidiaries were considered essential and as a result, during the COVID-19 pandemic, their pharmacies have remained open to the public and their operations have not been materially affected. InRetail Pharma S.A. have not been immune to the negative effects of the COVID-19 pandemic, the impact of such effects to their business has not been as substantial as in other sectors and business.

As a result of the pandemic, the Company's assets have not presented impairment that have not been included in the financial statements and have not had any change in accounting judgments as of June 30, 2022 and December 31, 2021.

The accompanying interim consolidated financial statements as of June 30, 2022 and 2021 were approved by the Board of Directors on August 15, 2022.

2. Subsidiary activities

The Company and its Subsidiaries (hereinafter the "InRetail Pharma Group") are dedicated to the commercialization, distribution and marketing, nationally and internationally, of pharmaceutical products, cosmetics, food for medical use and other foods intended for protection and recovery of health through its "Inkafarma" and "Mifarma" pharmacy chains. The company and its subsidiaries operate 2,278 stores as of June 30, 2022 (2,249 stores as of December 31, 2021) and have operations in Peru, Ecuador and Bolivia as of June 30, 2022 and December 31, 2021.

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

- (a) Droguería InRetail Pharma S.A.C. began operations in August 2020. Its economic activity is the purchase and wholesale of pharmaceutical products, personal care and other products for the protection and recovery of health.
- (b) Farmacias Peruanas S.A.C. started operations in August 2020. Its economic activity is to provide business, administrative and logistical services for the companies of the Pharma group.
- (c) Eckerd Amazonia S.A.C. was incorporated and started its activities in September 2001. It is dedicated to the commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements aimed for health protection and recovery through its "Inkafarma" pharmacy chain. This Subsidiary's legal address is Alfonso Ugarte Avenue 1283, Loreto, Iquitos, Peru.

At the General Shareholders' Meeting of September 1, 2021, the merger of the Company with Jorsa de la Selva S.A.C. was agreed, in which the latter would act as the absorbing company, therefore, Eckerd Amazonia S.A.C. extinguished without the need to be dissolved or liquidated.

Notes to the interim consolidated financial statements (continued)

- (d) Boticas del Oriente S.A.C. was incorporated and started its activities in December 2007. It is dedicated to the commercialization of pharmaceutical products, cosmetic products, food for medical use and other elements aimed for health protection and recovery through its "Inkafarma" pharmacy chain. This Subsidiary's legal address is Alfonso Ugarte Avenue 1283, Loreto, Iquitos, Peru.

At the General Shareholders' Meeting of September 1, 2021, the merger of the Company with Jorsa de la Selva S.A.C. was agreed, in which the latter would act as the absorbing company, therefore, Boticas del Orientes S.A.C. extinguished without the need to be dissolved or liquidated.

- (e) Mifarma S.A.C.

It is a subsidiary of InRetail Pharma S.A., product of the spin-off approved on September 1, 2021, which owns 99.99 percent of its capital. It was incorporated on November 22, 2005. Until August 31, 2021, it was a subsidiary of Quicorp S.A. Previously, it was a subsidiary of Química Suiza S.A.C. until April 30, 2019. The legal address of the subsidiary is Calle Víctor Alzamora N ° 147, Urb. Santa Catalina, Lima, Peru.

It is dedicated to retail of pharmaceutical products, cosmetics, perfumery, hygiene, hygiene and personal care and other products for the protection and recovery of health.

The company maintains 99.99 percent of the equity of the following companies:

- i. Albis S.A.C.

It is a legal entity established in 1998 as a result of the merger of Distribuidora Albis S.A. with Albis Data S.A. It is a subsidiary of Mifarma S.A.C., which owns 99.99 percent of its capital.

It is dedicated to the commercialization of pharmaceutical, cosmetic, perfumery, health, hygiene and personal care products and other products for the protection and recovery of health throughout the country.

At the General Shareholders' Meeting, on August 1, 2019, of Albis S.A.C. and Cifarma S.A.C. the reorganization of both companies was approved, through this reorganization, Albis S.A.C. segregates and transfers an equity block to Cifarma S.A.C. composed of assets and liabilities related to the laboratory business. The net value of the equity block is S/9,555,163, which was contributed to Cifarma S.A.C.

At the General Shareholders' Meeting of October 1, 2021, was approved, the merger of Albis S.A.C. with Mifarma S.A.C. in which the latter acts as absorbent, therefore, Albis S.A.C. is extinguished without the need to be dissolved or liquidated.

- ii. Jorsa de la Selva S.A.C.

It is a legal entity, a subsidiary of Albis S.A.C., dedicated mainly to the commercialization of pharmaceutical products, cosmetics, perfumery, hygiene, personal care and other products for the protection and recovery of health. The Company's legal address is located at Av. Elías Aguirre 1107, Loreto, Peru.

At the General Shareholders' Meeting on September 1, 2021, the merger of the Jorsa de la Selva S.A.C. with Eckerd Amazonia S.A.C. and Boticas del Oriente S.A.C., was approved in which Jorsa de la Selva S.A.C. would act as the absorbing company, therefore, Eckerd Amazonia S.A.C. and Boticas del Oriente S.A.C. extinguished without the need to be dissolved or liquidated.

Notes to the interim consolidated financial statements (continued)

(f) Química Suiza S.A.C.

Incorporated in Peru on March 6, 1939 and its legal address is located at Av. República de Panamá N°2577, Lima, Peru. It is a subsidiary of InRetail Pharma S.A., as result of the spin-off approved by the General Shareholders' Meeting on September 1, 2021, who owns 99.99 percent of its capital.

It is dedicated to the import, representation and commercialization of pharmaceutical, food, cosmetic, chemical, liquor and consumer products in general. Additionally, it obtains commissions for the intermediation in the sale of raw materials on behalf of foreign suppliers.

The company holds 99.99 percent of the equity of Vanttive S.A.C.

i. Vanttive S.A.C.

It was incorporated in Peru on July 11, 2012. It is a direct subsidiary of Química Suiza S.A.C., a company incorporated in Peru, which owns 99.99 percent of its capital stock as of June 30, 2022 and December 31, 2021. Its Legal address is located in Av. República de Panamá N ° 2577, La Victoria, Lima.

It is engaged in the wholesaling and retailing, warehousing, distribution, over the counter and manufacturing of natural and pharmaceutical health products, specifically for patients undergoing cancer treatment.

In addition, it can engage in the provision of services as a medical center in the category of doctor's office for the purpose of prevention, promotion, diagnosis, medical treatment and rehabilitation in order to keep people in a healthy state.

(g) Quicorp S.A. is a Holding incorporated in Peru in September 2010. At the General Shareholders' Meeting on September 1, 2021, the division of an equity block in favor of InRetail Pharma S.A. of the shares of Química Suiza S.A.C. and Mifarma S.A.C. was approved.

The Company maintains 99.99 percent of the equity of the following Companies:

i. Quifatex S.A. S.A.C.

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

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

The company maintains 99.99 percent of the equity of Vanttive Cía. Ltda.

- Vanttive Cía. Ltda.

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

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

Notes to the interim consolidated financial statements (continued)

ii. Quimiza Ltda.

It was incorporated on August 26, 1978. It is a distributor in the cities of Tarija, Oruro, and Potosí, as well as a distribution center in Santa Cruz, Bolivia. In addition, it has offices, agencies, and branches in other districts of the country. Currently, it has four offices in the cities of Santa Cruz (main office), La Paz, Cochabamba, and Sucre.

It is dedicated to the manufacture, commercialization, distribution, import, export, and representation of chemical, pharmaceutical, dietary, veterinary, cosmetic, insecticidal and fertilizing products, as well as machinery and equipment for the industry and consumables in general. Currently, it imports and commercializes pharmaceutical, industrial, consumption and veterinary products, expanding its market by signing new representation agreements.

iii. Cifarma S.A.C.

It was incorporated in Peru on July 1, 1992. It is a Subsidiary of Quicorp S.A., product of the spin-off approved on May 1, 2019, who owns 99.99 percent of its share capital. Until April 30, 2019, it was a subsidiary of Química Suiza S.A.C. and up to September 30, 2010, Cifarma S.A.C. was a Subsidiary of Roxilan S.A., a company incorporated in Switzerland, which owned 71.96 percent of its capital. The registered office of Cifarma S.A. is located at Carretera Central Km. 3 N° 1315 Santa Anita, Lima, Perú.

Cifarma S.A.C. provides services related to manufacturing and packaging of pharmaceutical, cosmetic and chemical products, with Química Suiza S.A.C. as its main client.

In February 2021, Cifarma S.A.C., was sold to an unrelated third party, the amount of the sale was S/34,879,000. See Note 1 (d).

iv. Química Suiza Colombia S.A.S. (Formerly Quideca S.A.)

It was incorporated on March 13, 2006 in Bogota, Colombia and is legally effective up to March 13, 2056.

It is dedicated to the purchase, sale, commercialization, promotion, distribution, representation, import, and export of health and pharmaceutical products, including vaccines, food, cosmetics, hygiene, personal care and home products. It also trades pesticides, herbicides, insecticides, fertilizers, chemical and agrochemical products, construction additives, tools, and equipment.

In January 2021, Química Suiza Colombia S.A.S., was sold to an unrelated third party, the amount of the sale was S/7,093,000. See Note 1 (d).

Notes to the interim consolidated financial statements (continued)

3. Basis of preparation and presentation, changes in the accounting policies of the Pharma group

(a) Interim financial statements

The consolidated financial statements of the InRetail Pharma Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Boards (IASB), effective as of June 30, 2022 and December 31, 2021, respectively.

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

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

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit and loss, financial instruments at fair value through other comprehensive income and derivative financial instruments. The consolidated financial statements are presented in Soles and all values are rounded to the nearest thousand (S/(000)), except when otherwise indicated.

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

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

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

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

(b) Basis of consolidation

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

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

Notes to the interim consolidated financial statements (continued)

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

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

The accounting policies followed in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements as of December 31, 2021.

(c) New accounting standards

The accounting policies adopted in the preparation of the interim combined financial statements are consistent with those followed in the preparation of the Companies annual combined financial statements for the year ended December 31, 2021, except for the adoption of the new standards and interpretations as of January 1, 2022.

The standards and amendments, and improvements to the standards that are issued, and effective up to the date of issuance of the accompanying consolidated financial statements, are disclosed below:

(i) Amendments to IFRS 3 “Business combinations”: Reference to the Conceptual Framework

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

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

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

Notes to the interim consolidated financial statements (continued)

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

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

The InRetail Pharma Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- (iii) Amendments to IAS 16 "Property, plant and equipment": Proceeds before intended Use

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

The amendments are not expected to have a material impact on the InRetail Pharma Group.

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

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

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

- (v) IFRS 1 "First-time adoption of international financial reporting standards": Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

Notes to the interim consolidated financial statements (continued)

- (vi) IFRS 9 “Financial instruments”: Fees in the ‘10 percent’ test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

- (vii) IAS 41 “Agriculture”: Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

- (viii) Amendments to IAS 8 “Accounting policies, changes in estimates and errors”: Definition of accounting estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting Policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is allowed as long as this fact is disclosed.

- (ix) Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 “Making Materiality Judgements”, in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their material accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 1, 2023, with earlier application permitted. Since the amendments to the IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

In the Management's opinion, these standards will not have a significant impact on the consolidated financial statements of the InRetail Pharma Group.

Notes to the interim consolidated financial statements (continued)

4. Cash and short-term deposits

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

	As of June 30, 2022 S/(000)	As of December 31, 2021 S/(000)
Cash (b)	9,574	5,896
Current accounts (c)	131,514	242,126
Other deposits (d)	7,300	4
Cash in transit	81,508	51,314
Total	229,896	299,340

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

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

(d) As of June 30, 2022, time deposits are freely available, are kept in Soles, in entities local financial institutions, have a maturity of up to one month from their constitution and accrue interest between 0.01 and 5.50 percent per year in Soles (savings account in US Dollars of a foreign subsidiary as of December 31, 2021)

5. Trade receivables, net

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

	As of June 30, 2022 S/(000)	As of December 31, 2021 S/(000)
Trade accounts receivable (b)	624,679	530,162
Credit card operators (c)	30,387	18,110
Total	655,066	548,272
Provision for doubtful accounts (d)	(38,042)	(38,258)
Total	617,024	510,014

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

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

Notes to the interim consolidated financial statements (continued)

- (d) The movement in the provision for doubtful accounts receivables for the six-month period ended June 30, 2022 and 2021, were as follows:

	2022 S/(000)	2021 S/(000)
Balance at the beginning of the period	38,258	48,744
Provision recognized as expense, Note 17 (a)	3,884	5,214
Recoveries, Note 17 (a)	(1,033)	(1,068)
Write-offs	(2,233)	(1,079)
Foreign currency translation	(834)	1,440
Other	-	(736)
Balance at the end of the period	38,042	52,515
Balance as of December 31, 2021		38,258

As of June 30, 2022 and December 31, 2021, the amount of overdue account receivables but non-impaired amounted to approximately S/87,565,000 and S/77,423,000, respectively.

In the opinion of Management of the InRetail Pharma Group, the provision for doubtful accounts receivables as of June 30, 2022 and December 31, 2021, appropriately covers the credit risk of this item at those dates.

6. Inventories, net

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

	As of June 30, 2022 S/(000)	As of December 31, 2021 S/(000)
Goods, Note 17 (a)	1,476,451	1,235,753
In transit inventories (b)	75,377	137,741
Raw material, Note 17 (a)	195	860
Miscellaneous supplies	8,386	6,968
Miscellaneous supplies for manufacturing, Note 17 (a)	1,204	874
Total	1,561,613	1,382,196
Minus		
Provision for impairment of inventories (c)	(23,814)	(14,606)
Total	1,537,799	1,367,590

- (b) Corresponds to goods and miscellaneous supplies imported by the Company and its Subsidiaries in order to satisfy customers' demand in its pharmacies.

Notes to the interim consolidated financial statements (continued)

(c) The movement in the provision for inventory impairment for the six-month period ended June 30, 2022 and 2021, were as follows:

	2022 S/(000)	2021 S/(000)
Balance at the beginning of the period	14,606	15,643
Provision of the period, Note 17 (a)	12,589	12,017
Recovery	(3,143)	(4,146)
Write-off	-	(2,213)
Foreign currency translation	(238)	147
Balance at the end of the period	23,814	21,448
Balance as of December 31, 2021		14,606

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

7. Investments at fair value through equity

In August and September 2021, the Company acquired financial investments corresponding to bonds issued by InRetail Consumer, the acquisition value was US\$30,260,000 equivalent to S/124,345,000 maturing in 2028 and accruing annual interest of 3.25 percent and presented in the consolidated statement of cash flow. As of June 30, 2022, these financial instruments amount to US\$25,048,000 equivalent to S/95,683,000 (as of December 31, 2021, US\$30,000,000 equivalent to S/119,250,000).

As of June 30, 2022, the Company has other investments at fair value through equity for an amount of US\$9,815,000 equivalent to S/37,495,000 (US\$13,322,000 equivalent to S/52,956,000 as of December 31, 2021).

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

As of June 30, 2022 and December 31, 2021, the unrealized result net of deferred tax is a loss of S/10,943,000 and gain of S/13,265,000 respectively and is presented in the consolidated statement of changes in equity.

8. Derivatives financial instruments

As of June 30, 2022 and December 31, 2021, this item comprises of three contracts of derivative financial instruments (currency). These contracts were designated to hedge cash flows and were recorded at its fair value. The detail of this operation is are follows:

Counterparty	Nominal value US\$(000)	Due	Pay fix at %	Book value of the hedged item S/(000)	Fair value	Fair value
					2022 S/(000)	2021 S/(000)
Citibank N.A. (b)	138,000	Mar-28	-	510,738	38,343	44,665
Citibank N.A. (b)	100,000	Mar-28	1.50	370,100	32,380	44,979
Citibank N.A. (b)	50,000	Mar-28	1.50	185,050	16,000	22,282
Total					86,723	111,926

Notes to the interim consolidated financial statements (continued)

- (a) In March 2021, InRetail Pharma settled the Call Spread early, which maturity was in May 2023 and which hedged the issuance of senior notes by InRetail Pharma up to a value of US\$400,000,000. As a result of this transaction, a total net expense of S/70,141,000 was generated, which is presented as “Financial expenses from the early settlement of call spread” in the consolidated income statement; see Note 18.
- (b) In March 2021, InRetail Pharma S.A., decided to hedge the foreign currency exposure of its US\$288,000,000, Intercompany loan with InRetail Consumer (a related Special Purpose Entity) through a Call Spread structure, see note 19 (c), these instruments cover 100 percent of the exposure in foreign currency of the principal of the issues and protects exchange rate variations between S/3.70 and S/4.20 per US\$1.00.

On September 16, 2021, InRetail Pharma S.A. decided to exchange each US\$150,000,000 of its Call Spread with two Range Only Principal Swaps of US\$100,000,000 and US\$50,000,000, on the intercompany loan, which fixed the exchange of currency at the exchange rate of S/4.1045 and S/4.1100 per US\$1.00, respectively and that protects variations in the exchange rate between S/3.70 and S/6.00 per US\$1.00, which for the purposes of IFRS 9, qualifies as an effective hedging instruments.

The exchange of the “Call Spread” for the “Range Only Principal Swaps” allows the hedging objective to be met, therefore, the time value of the instrument exchange at the date of the transaction of S/49,569,000 will be recognized in results on a straight-line basis until the maturity of the hedge. As a result of this transaction, a total net expense of S/3,645,000 was generated as of June 30, 2022. See Note 18.

From the date of receipt of the loan from the related entity, for the purposes of IFRS 9, it was classified as, see Note 19 (c).

Notes to the interim consolidated financial statements (continued)

9. Property, furniture and equipment, net

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

	Land	Building, infrastructure and facilities	Furniture and fixture	Vehicles	Miscellaneous equipment	Work in progress	Total 2022	Total 2021
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Cost								
Initial balance	257,591	478,957	164,913	1,553	356,545	16,567	1,276,126	1,183,633
Additions (b)	98,569	30,684	18,270	-	29,991	19,329	196,843	167,040
Sales (c)	-	-	(496)	-	(991)	-	(1,487)	(6,483)
Disposal (c)	-	(43,502)	(42,256)	(61)	(36,139)	-	(121,958)	(19,686)
Disposal of subsidiaries	-	-	-	-	-	-	-	(54,834)
Transfer	-	6,371	625	-	3,035	(10,031)	-	-
Foreign currency translation	(12)	(267)	(407)	-	(2,184)	(6)	(2,876)	6,456
Final balance	356,148	472,243	140,649	1,492	350,257	25,859	1,346,648	1,276,126
Accumulated depreciation								
Initial balance	-	266,127	106,703	1,309	258,217	-	632,356	613,127
Additions (d)	-	19,183	6,521	36	14,873	-	40,613	82,882
Sales (c)	-	-	(486)	-	(971)	-	(1,457)	(6,296)
Disposal (c)	-	(43,144)	(41,988)	(61)	(35,908)	-	(121,101)	(18,418)
Disposal of subsidiaries	-	-	-	-	-	-	-	(44,010)
Foreign currency translation	-	(159)	(348)	-	(1,630)	-	(2,137)	5,071
Final balance	-	242,009	70,402	1,284	234,579	-	548,274	632,356
Net book value	356,148	230,234	70,247	208	115,678	25,859	798,374	643,770

(b) Additions for the six-month period ended June 30, 2022 and December 31, 2021, correspond mainly to the construction and equipment of new pharmacies for InRetail Pharma Group.

Additionally, on June 2022, InRetail Pharma S.A. acquired a land located in the district of Punta Negra, for an amount of S/98,549,000, in said property the new distribution center will be built.

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

Notes to the interim consolidated financial statements (continued)

- (d) Depreciation expense for the six-month period ended June 30, 2022 and 2021, was recorded as follows in the income statement:

	2022 S/(000)	2021 S/(000)
Sales expenses, Note 17 (a)	34,112	31,734
Administrative expenses, Note 17 (a)	5,806	3,449
Cost of sales, Note 17 (a)	695	975
Balance as of June 30	40,613	36,158
Balance as of December 31, 2021		82,882

- (e) As of June 30, 2022, the cost and corresponding accumulated depreciation of assets acquired through financial leases amount to approximately S/104,176,000 and S/67,419,000, respectively (S/92,152,000 and S/67,265,000, as of December 31, 2021).
- (f) The InRetail Pharma Group maintains insurance policies on their main assets in accordance with the policies established by Management.

10. Intangible assets, net

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

	As of June 30, 2022 S/(000)	As of December 31, 2021 S/(000)
Cost		
Initial balance	902,533	867,950
Additions (c)	20,790	43,024
Disposal and/or sales	(36,662)	(532)
Disposal of subsidiaries	-	(8,499)
Foreign currency translation	(206)	590
Final balance	886,455	902,533
Accumulated amortization		
Initial balance	321,228	200,114
Additions (d)	29,078	122,672
Disposals and/or sales	(36,662)	(510)
Disposal of subsidiaries	-	(1,592)
Foreign currency translation	(187)	544
Final balance	313,457	321,228
Goodwill		
Initial balance	1,272,634	1,272,634
Additions	-	-
Final balance	1,272,634	1,272,634
Net, book value	1,845,632	1,853,939

Notes to the interim consolidated financial statements (continued)

- (b) As of June 30, 2022 and December 31, 2021, this item mainly includes the goodwill, related to the acquisition of the Quicorp Group. Purchase price for the acquisition of Quicorp was approximately US\$591,351,000 equivalent to S/1,898,255,000 at the date of acquisition.
- (c) As of June 30, 2022 and December 31, 2021, additions mainly correspond to: (i) disbursements for the acquisition of a commercial software program, a general planning system (ERP) and related licenses; and (ii) disbursements for implementation of software and licenses in new stores of InRetail Group.
- (d) Amortization expense for the six-month period June 30, 2022 has been recorded in the following items of the combined statements:

	2022 S/(000)	2021 S/(000)
Sales expenses, Note 17 (a)	23,594	85,374
Administrative expenses, Note 17 (a)	5,480	3,602
Cost of sales, Note 17 (a)	4	78
Balance as of June 30	29,078	89,054
Balance as of December 31, 2021		122,672

11. Trade payables

The table below presents the composition of this item:

	As of June 30, 2022 S/(000)	As of December 31, 2021 S/(000)
Bills payable from purchase of goods	1,602,052	1,473,882
Bills payable from commercial services	254,086	198,075
Total	1,856,138	1,671,957

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

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

Notes to the interim consolidated financial statements (continued)

12. Leases

- a) The InRetail Pharma Group maintains leasing contracts for buildings, facilities and vehicles used for its operations. Leases of buildings and facilities generally have terms of 1 to 5 years, and leases of vehicles have terms of 3 to 4 years. The InRetail Pharma Group's obligations under its leases are guaranteed by the lessor's title of the leased assets.

There are several leases that include extension and termination options and variable payments. The InRetail Pharma Group has also entered into certain leases of premises with terms of 12 months or less and leases of low-value office equipment. The InRetail Pharma Group applies the short-term and low-value lease exemptions for this kind of leases.

- b) The movement of this item for the six-month period ended as of June 30, 2022 and December 31, 2021, is as follows:

	Buildings infrastructure and facilities	Vehicles	Total 2022	Total 2021
	S/(000)	S/(000)	S/(000)	S/(000)
Cost				
Initial balance	974,805	3,751	978,556	1,028,713
Additions	107,023	92	107,115	190,031
Disposal and/or sales	(3,138)	(2,183)	(5,321)	(219,664)
Disposal subsidiaries	-	-	-	(25,568)
Foreign currency translation	(2,005)	(144)	(2,149)	5,044
Final balance	1,076,685	1,516	1,078,201	978,556
Accumulated depreciation				
Initial balance	466,137	1,823	467,960	455,863
Additions, Note 17 (a)	111,744	321	112,065	237,543
Disposal and/or sales	(334)	(1,100)	(1,434)	(218,844)
Disposal subsidiaries	-	-	-	(8,552)
Foreign currency translation	(754)	(66)	(820)	1,950
Final balance	576,793	978	577,771	467,960
Net book value	499,892	538	500,430	510,596

Depreciation expense for the six-month period ended June 30, 2022 and 2021, was recorded as follows in the income statement:

	2022	2021
	S/(000)	S/(000)
Sales expenses, Note 17 (a)	109,142	114,393
Administrative expenses, Note 17 (a)	1,892	2,949
Cost of sales, Note 17 (a)	1,031	1,579
Balance as of June 30	112,065	118,921
Balance as of December 31, 2021		237,543

Notes to the interim consolidated financial statements (continued)

- c) The movement of the lease liability item, as of June 30, 2022 and December 31, 2021, is as follows:

	As of June 30, 2022	As of December 31, 2021
	S(000)	S(000)
Initial balance	568,211	608,298
Additions	107,115	190,031
Increase for accrued interest, Note 18	17,859	43,347
Amortization	(128,115)	(285,401)
Disbursements made at the start of the contract	(155)	(20)
Disposal	(3,937)	(878)
Disposal subsidiary	-	(20,254)
Prepayment rents	(773)	(1,827)
Exchange rate	(15,464)	31,782
Foreign currency translation	(1,351)	3,133
Final balance	543,390	568,211
Current	180,707	184,389
Non-current	362,683	383,822
Final balance	543,390	568,211

Additionally, in the six-month period ended as of June 30, 2022 and 2021, interest related to the lease liability of S/17,859,000 and S/22,019,000, respectively, was accrued and is presented under "Financial expenses" in the consolidated financial statement of income. See Note 18.

Notes to the interim consolidated financial statements (continued)

13. Interest-bearing loans and borrowings

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

Type of obligation	Original currency	Interest rate %	Final maturity	Original amount		Total		Current		Non-current		
				US\$ (000)	S/(000)	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)	2022 S/(000)	2021 S/(000)	
Senior Notes Unsecured (b)												
Senior Notes Unsecured	PEN	6.438	2025	-	-	385,800	384,589	384,413	-	-	384,589	384,413
				-	-	385,800	384,589	384,413	-	-	384,589	384,413
Leasings												
Non related entities												
Banco Santander	PEN	7.650	2022	-	-	874	34	136	34	136	-	-
Banco Santander	PEN	6.920	2022	-	-	545	34	131	34	131	-	-
				-	-	1,419	68	267	68	267	-	-
Notes and Loans												
Related entities												
Banco Internacional del Perú-Interbank (f)	PEN	3.750	2026	-	-	220,000	218,347	218,109	-	-	218,347	218,109
Banco Internacional del Perú-Interbank	PEN	3.100	2022	-	-	17,900	-	17,900	-	17,900	-	-
Banco Internacional del Perú-Interbank	PEN	6.950	2022	-	-	20,000	20,000	-	20,000	-	-	-
Non related entities												
Banco Scotiabank (c)	PEN	3.750	2026	-	-	330,000	327,523	327,166	-	-	327,523	327,166
Banco Pichincha	USD	4.950	2022	2,000	-	-	7,660	-	7,660	-	-	-
Banco Scotiabank	PEN	Between 3.630 and 4.450	2022	-	-	15,000	-	15,000	-	15,000	-	-
Banco Scotiabank (c)	PEN	Entre 3.630 y 4.800	2022	-	-	51,000	51,000	-	51,000	-	-	-
Banco Scotiabank	PEN	0.600	2022	-	-	21,000	-	21,000	-	21,000	-	-
Banco Scotiabank	PEN	Between 4.600 and 4.800	2022	-	-	15,000	-	15,000	-	15,000	-	-
Banco de Crédito del Perú (d)	PEN	Entre 6.900 y 6.980	2022	-	-	20,000	20,000	-	20,000	-	-	-
Banco de Crédito del Perú	PEN	1.170	2022	-	-	20,000	-	20,000	-	20,000	-	-
Banco de Crédito del Perú	PEN	Between 3.500 and 3.600	2022	-	-	30,000	-	30,000	-	30,000	-	-
Banco de Crédito del Perú	PEN	Entre 3.500 y 3.600	2022	-	-	60,000	-	60,000	-	60,000	-	-
BBVA Banco Continental (g)	PEN	Between 4.820 and 5.170	2022	-	-	30,000	30,000	-	30,000	-	-	-
Banco de Crédito del Perú (d)	PEN	Between 3.500 and 3.600	2022	-	-	115,000	115,000	-	115,000	-	-	-
Banco Scotiabank (c)	PEN	5.950	2022	-	-	180,000	180,000	-	180,000	-	-	-
Citibank (e)	PEN	Between 3.840 and 4.030	2022	-	-	40,000	40,000	-	40,000	-	-	-
BBVA Banco Continental	PEN	2.900	2022	-	-	40,000	-	40,000	-	40,000	-	-
Banco Scotiabank	PEN	3.090	2022	-	-	30,000	-	30,000	-	30,000	-	-
Banco Scotiabank	PEN	Between 4.600 and 4.800	2022	-	-	40,000	-	40,000	-	40,000	-	-
BBVA Banco Continental (g)	PEN	5.170	2022	-	-	97,000	97,000	-	97,000	-	-	-
BBVA Banco Continental	PEN	3.060	2022	-	-	40,000	-	40,000	-	40,000	-	-
				12,000	-	1,431,900	1,111,850	890,835	565,980	345,560	545,870	545,275
Derivative financial instrument financing, Note 8												
Citibank N.A.	PEN	Between 8.441 and 8.665	2028	-	-	48,931	43,624	46,364	5,872	5,640	37,752	40,724
				-	-	48,931	43,624	46,364	5,872	5,640	37,752	40,724
Other obligations (h)												
Hewlett Packard S.A.	USD	Between 2.850 and 4.360	2024 and 2026	12,510	-	-	35,676	27,348	10,166	7,521	25,510	19,827
Inversiones Nueva Capital Peru S.A.	USD	6.293	2025	746	-	-	2,511	-	673	-	1,838	-
				13,256	-	-	38,187	27,348	10,839	7,521	27,348	19,827
Total				25,256	-	1,868,050	1,578,318	1,349,227	582,759	358,988	995,559	990,239

Notes to the interim consolidated financial statements (continued)

- (b) In May 2018, the Company issued debt instruments ("Notes") denominated in US Dollars through a private offer to institutional investors under Rule 144 A and Regulation S, for US\$400,000,000, equivalent to S/1,449,600,000 as of December 31, 2020, that accrues an interest of 5.375 percent annual, with a maturity of 5 years and with semiannual payments of interest and the principal in a single installment upon maturity of the securities. In March 2021, the "Senior Notes Unsecured" were prepaid in full.

As indicated in note 8 (a), the Call Spread related to these bonds was settled early in March 2021.

Additionally, in May 2018, the Company issued debt instruments ("Notes") denominated in Soles for S/385,800,000 that bear an annual interest rate of 6.438 percent, with a maturity of 7 years and with semiannual interest payments and the principal in a single installment upon maturity of the securities. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 6.559 percent, after considering the respective up-front fees that amounted to S/1,211,000 as of June 30, 2022 (S/1,387,000 as of December 31, 2021).

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

In the opinion of Management, these covenants do not limit the operations of the Company and its Subsidiaries and have been complied satisfactorily and are within the agreed limits as of June 30, 2022 and December 31, 2021. Likewise, 100 percent of the "Senior Notes Unsecured" is guaranteed by the shares of InRetail Pharma S.A. and Subsidiaries.

- (c) Scotiabank Perú
Química Suiza S.A.C.

It corresponds to four loans for total amount of S/51,000,000 with maturity in July and September 2022. The annual accrued interest rates are 3.630 and 4.80 percent. There are no specific guarantees.

InRetail Pharma S.A.

It corresponds to one loan amounting of S/161,950,000. The annual accrued interest rate is 4.70 percent with maturity in April 2025, and quarterly payments. This borrowing was recorded in the consolidated financial statement at amortized cost to an effective interest rate of 4.775 percent, after considering the respective up-front fees that amounted of S/731,000 as of December 31, 2020.

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

In March, 2021, the company obtained a loan for S/330,000,000 that accrues an annual nominal interest of 3.750 percent maturing in March 2026, payable in quarterly installments. Said loan is recorded at its amortized cost at an effective annual rate of 4.031 percent, after considering the additional charges of S/2,477,000 as of June 30, 2022 (S/2,834,000 as of December 31, 2021).

Droguería InRetail Pharma S.A.C.

It corresponds to one loan for total amount of S/180,000,000 with maturity in November 2022. The annual accrued interest rate 5.95 percent. There are no specific guarantees.

Notes to the interim consolidated financial statements (continued)

- (d) Banco de Crédito del Perú
Química Suiza S.A.C.
Corresponds to two loans for a total amount of S/20,000,000 with maturity in October and November 2022. The annual accrued interest rate are 6.900 and 6.980 percent. There are no specific guarantees.
- Droguería InRetail Pharma S.A.C.
Corresponds to one loan of S/115,000,000 with maturity in November 2022. The annual accrued interests rate is 6.50. There are no specific guarantees.
- (e) Citibank
Quifatex S.A.
It corresponds to one loan amounting to US\$10,000,000 with maturity in July 2022 and accrued interest rate of 5.00 percent annual.
- Droguería InRetail Pharma S.A.C.
Corresponds to three loans of S/10,000,000, S/15,000,000 and S/15,000,000 with maturity in August 2022. The annual accrued interests rate is 3.97 percent. There are no specific guarantees.
- (f) Banco Internacional del Perú-Interbank
InRetail Pharma S.A.
Corresponds to a loan granted for S/161,950,000 that accrues an annual nominal interest of 4.70 percent, with maturity in April 2025, payable quarterly. This loan is recorded at amortized cost at an effective rate of 4.775 percent, after considering the initial charges of S/748,000 as of December 31, 2020.
- The Company amortized the debt for the amount of S/57,839,000 as of December 31, 2020. In March 2021, was paid fully.
- In March 2021, the company obtained a loan for S/220,000,000 that accrues an annual nominal interest of 3.750 percent maturing in March 2026, payable in quarterly installments. Said loan is recorded at its amortized cost at an effective annual rate of 4.031 percent, after considering the additional charges of S/1,653,000 as of June 30, 2022 (S/1891,000 as of December 31, 2021).
- (g) BBVA Banco Continental
Droguería InRetail Pharma S.A.C.
Corresponds to one loan of S/97,000,000 with maturity in July 2022. The annual accrued interests rate is 6.00 percent. There are no specific guarantees.
- Química Suiza S.A.C.
Corresponds to two loans for a total amount of S/30,000,000 with maturity in July and September 2022. The annual accrued interests rate are 4.920 and 5.170 percent. There are no specific guarantees.
- (h) Corresponds to the debt acquired with Hewlett Packard S.A. and Inversiones Nueva Capital Peru S.A., for the purchase and leasing of computer equipment. These contracts do not have specific guarantees.

Notes to the interim consolidated financial statements (continued)

- (i) During the six-month period ended June 30, 2022 and 2021, loans and borrowings accrued interests are recorded in the “Financial expenses” item of the consolidated income statement, see Note 18. Also, as of June 30, 2022 and December 31, 2021, there are interests payable which are recorded in the “Other payables” item of the consolidated statements of financial position.
- (j) Some of the interest-bearing loans and borrowings include standard clauses requiring the InRetail Pharma Group to meet financial ratios, use of funds criteria and other administrative matters. In Management’s opinion, as of June 30, 2022 and December 31, 2021, standard clauses do not limit the normal operation of the InRetail Pharma Group and have been fulfilled.
- (k) Financial obligations are payable as follows:

	2022	2021
	S/ (000)	S/ (000)
2022	549,432	358,988
2023	41,837	13,341
2024	16,712	397,530
2025	670,670	283,100
2026	286,218	283,316
2027 onwards	13,449	12,952
Total	1,578,318	1,349,227

Notes to the interim consolidated financial statements (continued)

14. Income tax

- (a) The amounts presented in the statement of financial position as of June 30, 2022 and December 31, 2021, as well as the consolidated income statements for the six-month period ended June 30, 2022 and 2021 are shown below:

Statements of financial position	As of June 30, 2022		As of December 31, 2021	
	Assets	Liabilities	Assets	Liabilities
	S/(000)	S/(000)	S/(000)	S/(000)
InRetail Pharma S.A.	47,516	-	30,889	-
Química Suiza S.A.C.	-	45,870	-	47,065
Vanttive S.A.C.	55	-	44	-
Droguería InRetail Pharma S.A.C.	4,793	-	2,780	-
Quicorp S.A.	24	-	20	-
Quifatex S.A.	8,679	-	8,740	-
Vanttive Cia. Ltda.	134	-	128	-
Farmacías Peruanas S.A.C.	5,752	-	4,668	-
Quimiza Ltda.	860	-	927	-
Mifarma S.A.C.	40,924	-	42,858	-
Boticas IP S.A.C.	18,619	-	18,501	-
Jorsa de la Selva S.A.C.	2,408	-	2,785	-
Consolidation adjustment	-	116,667	-	120,022
Total	129,764	162,537	112,340	167,087

Statements of comprehensive income	Income tax for the six-months period ended June 30, 2022 and 2021	
	2022	2021
	S/(000)	S/(000)
Current	(112,787)	(108,219)
Deferred	23,062	76,731
Income tax expense	(89,725)	(31,488)

- (b) As of June 30, 2022 and December 31, 2021, the liability for income tax, net of the advanced tax, amounted to approximately S/3,049,000 and S/6,026,000, respectively. Also, as of June 30, 2022 and December 31, 2021, the income tax credit amounted to approximately S/122,278,000 and S/119,131,000, respectively.

Notes to the interim consolidated financial statements (continued)

15. Equity

(a) Capital stock

As of June 30, 2022 and December 31, 2021, the capital stock of the Company is represented by 15,839,379 common shares, with a nominal value of S/1.00 each, which are entirely authorized and paid.

(b) Capital premium

Corresponds to cash contributions for a total amount of approximately S/4,182,000. In accordance with the agreements of the General Shareholders Meetings of July 2008, an amount of S/791,000 was recorded as capital stock and the difference of approximately S/3,391,000 was recorded as a capital premium, which is presented in the item "Capital premium" in the consolidated statement of financial position.

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

(c) Legal reserve

As of June 30, 2022 and December 31, 2021, this item includes the legal reserve established by the Company and its Subsidiaries. As provided in the General Corporations Law, it is required that a minimum of 10 percent of distributable income for each year is transferred to a legal reserve until such reserve equals 20 percent of the capital. The legal reserve can absorb losses or be capitalized, in both cases it must be replenished. The legal reserve is appropriated when the General Shareholders' Meeting approves it.

(d) Distribution of dividends

At the General Shareholders' Meeting held on February 16 and March 16, 2022, the distribution of dividends was approved for a value of S/60,000,000, which was paid during the first quarter of 2022.

At the General Shareholders' Meeting held on April 22 and May 10, 2022, the distribution of dividends was approved for a value of S/167,140,000, which was paid during the second quarter of 2022.

At the General Shareholders' Meeting of InRetail Pharma S.A. held on April 30, 2021, the distribution of dividends was approved for a value of S/315,000,000, which was paid on May 3, 2021.

At the General Shareholders' Meeting of InRetail Pharma S.A. held in February 2021, dividend distributions for a total of S/39,000 were approved.

16. Tax Situation

- (a) The Company and its Subsidiaries domiciled in Peru, Ecuador, Bolivia y Colombia, are subject to the tax regime of each country and calculate the income tax based on their individual financial statements. As of June 30, 2022 and December 31, 2021, the income tax rate was:

Country	%
Peru	29.5
Ecuador	25.0
Bolivia	25.0

Notes to the interim consolidated financial statements (continued)

- (b) The Subsidiaries of the Company domiciled in Peru, Ecuador, Bolivia and Colombia are subject to the tax regime of each country and calculate the income tax based on their individual financial statements. As of June 30, 2022 and December 31, 2021, the income tax rate is:

	Tax rate	
	2022	2021
	%	%
Peru	5.0	5.0
Ecuador	10.0	10.0
Bolivia	12.5	12.5

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

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

- (i) In first place, 10 percent or more of shares of the non domiciled company must be sold within a period of twelve months.
 - (ii) In second place, the market value of the Peruvian company's shares must represent 50 percent or more of the market value of the non domiciled company, in a period of twelve months.
- (d) For purposes of determining the Income Tax, transfer pricing of transactions with related companies and companies domiciled in territories with low or no taxation must be supported with documentation and information on assessment methods applied and criteria considered. Based on the analysis of the operations of the InRetail Pharma Group, Management and its legal advisors consider that as consequence of the application of the regulation in force, there will not be any significant contingencies for the InRetail Pharma Group as of June 30, 2022 and December 31, 2021.
- (e) The tax authority is legally entitled to review and, if necessary, adjust the Income Tax computed. Following are the years subject to review by the tax authority of the Subsidiaries of InRetail Pharma S.A. incorporated in Peru and foreign:

	Income Tax	Value added tax
InRetail Pharma S.A.	2017 and from 2019 to 2021	From 2018 to 2022
Eckerd Amazonía S.A.C. (*)	From 2017 to 2021	From 2018 to 2021
Boticas del Oriente S.A.C. (*)	From 2017 to 2021	From 2018 to 2021
Quicorp S.A.	From 2017 to 2021	From 2018 to 2022
Química Suiza Comercial S.A.C.	From 2017 to 2018	2018
Vanttive S.A.C.	From 2017 to 2021	From 2018 to 2022
FP Servicios Generales S.A.C.	2021	From 2021 to 2022
Vanttive Cía. Ltda.	From 2017 to 2021	From 2018 to 2022
Química Suiza S.A.C.	From 2017 to 2021	From 2018 to 2022
Quifatex S.A.	From 2019 to 2021	From 2019 to 2022
Quimiza Ltda.	From 2015 to 2021	From 2016 to 2022
Jorsa de la Selva S.A.C. (*)	From 2017 to 2021	From 2018 to 2022
Mifarma S.A.C.	From 2017 to 2021	From 2018 to 2022
Albis S.A.C.	From 2017 to 2021	From 2018 to 2021
Droguería InRetail Pharma S.A.C.	From 2019 to 2021	From 2019 to 2022
Farmacías Peruanas S.A.C.	From 2020 to 2021	From 2020 to 2022
Botica Torres de Limatambo S.A.C.	From 2017 to 2018	2018
Droguería La Victoria S.A.C.	From 2017 to 2018	2018
Boticas IP S.A.C	2021	From 2021 to 2022
Farmacías Peruanas S.A.	From 2017 to 2018	2018

*VAT-exempt sales

Notes to the interim consolidated financial statements (continued)

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

In opinion of Management of the InRetail Pharma Group as well as its legal advisor's opinion, any eventual additional tax settlement would not be significant to the consolidated financial statements as of June 30, 2022 and December 31, 2021.

- (f) As of June 30, 2022 and December 31, 2021, estimated losses from previous periods for Subsidiaries for tax purposes are the following:

	As of June 30, 2022	As of December 31, 2021
	S/(000)	S/(000)
InRetail Pharma S.A.	60,597	20,839
Total	<u>60,597</u>	<u>20,839</u>

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

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

InRetail Pharma S.A. has chosen the method (ii).

17. Operating expenses

- (a) The table below presents the components of this item for the six-month period ended June 30, 2022 and 2021:

	2022	2021
	S/(000)	S/(000)
Cost of sales	2,864,517	2,792,386
Selling expenses	757,287	748,245
Administrative expenses	148,050	139,198
Total	<u>3,769,854</u>	<u>3,679,829</u>

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

Notes to the interim consolidated financial statements (continued)

	2022			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods, Note 6 (a)	1,235,753	-	-	1,235,753
Initial balance of raw material, Note 6 (a)	860	-	-	860
Initial balance of supplies, Note 6 (a)	874	-	-	874
Purchase of goods and supplies	3,074,754	-	-	3,074,754
Final balance of goods, Note 6 (a)	(1,476,451)	-	-	(1,476,451)
Final balance of raw materials, Note 6 (a)	(195)	-	-	(195)
Final balance of supplies, Note 6 (a)	(1,204)	-	-	(1,204)
Impairment of inventories, Note 6 (c)	12,589	-	-	12,589
Personnel expenses	-	365,586	77,131	442,717
Depreciation, Note 9 (d)	695	34,112	5,806	40,613
Depreciation of right-of-use asset, Note 12 (b)	1,031	109,142	1,892	112,065
Amortization, Note 10 (d)	4	23,594	5,480	29,078
Services provided by third parties (b)	-	128,235	41,206	169,441
Advertising	-	26,427	22	26,449
Packing and packaging	-	5,110	470	5,580
Rental of premises	-	15,418	-	15,418
Low-value asset leases	42	17,940	613	18,595
Taxes	-	3,923	6,222	10,145
Provision for doubtful trade receivables, Note 5(d)	-	3,884	-	3,884
Provision for doubtful other account receivables	-	168	1,822	1,990
Recoveries of provision trade account receivables, Note 5(d)	-	(1,033)	-	(1,033)
Insurance	-	4,848	1,113	5,961
Other charges (c)	15,765	19,933	6,273	41,971
Total	2,864,517	757,287	148,050	3,769,854

	2021			
	Cost of sales	Selling expenses	Administrative expenses	Total
	S/(000)	S/(000)	S/(000)	S/(000)
Initial balance of goods	1,091,368	-	-	1,091,368
Initial balance of raw material	19,552	-	-	19,552
Initial balance of supplies	550	-	-	550
Initial balance of finished goods	455	-	-	455
Purchase of goods	2,917,388	-	-	2,917,388
Final balance of goods	(1,270,500)	-	-	(1,270,500)
Final balance of supplies	(458)	-	-	(458)
Impairment of inventories, Note 6 (c)	12,017	-	-	12,017
Factory overhead	4,702	-	-	4,702
Personnel expenses	-	326,644	84,110	410,754
Depreciation, Note 9 (d)	975	31,734	3,449	36,158
Depreciation of right-of-use asset, Note 12 (b)	1,579	114,393	2,949	118,921
Amortization, Note 10 (d)	78	85,374	3,602	89,054
Services provided by third parties (b)	-	120,227	31,956	152,183
Advertising	-	25,624	3	25,627
Packing and packaging	-	3,962	403	4,365
Rental of premises	-	8,215	33	8,248
Low-value asset leases	1,039	2,091	390	3,520
Taxes	-	4,577	3,903	8,480
Provision for doubtful trade receivables, Note 5(d)	-	5,153	61	5,214
Recovery of provision for doubtful trade receivables, Note 5(d)	-	(209)	-	(209)
Insurance	-	5,908	514	6,422
Other charges (c)	13,641	15,620	7,825	37,086
Total	2,792,386	748,245	139,198	3,679,829

Notes to the interim consolidated financial statements (continued)

- (b) Corresponds mainly to expenses of electricity, water, telephone, premises maintenance services and transport services.
- (c) Mainly includes general expenses in pharmacies.

18. Financial expenses

- (a) The table below presents the components of financial expenses:

	2022	2021
	S/(000)	S/(000)
Expenses for early settlement of "Call Spread" (e)	-	70,141
Premium for early cancelation of senior notes (c)	-	47,530
Interest on loans, borrowings and bonds payable	31,506	42,026
Interest on loans with related parties, Note 19 (c)	23,130	13,599
Interest on lease liability, Note 12 (c)	17,859	22,019
Accrual of structuring cost of financial obligation	1,862	3,235
Accrual of structuring cost of Senior Notes (d)	-	11,983
Interest from derivative instruments "Call Spread"	1,988	455
Premium accrual of "Call Spread"	9,629	5,937
Accrual of the value in the time of exchange of derivative financial instruments	3,645	-
Other financial expenses	4,175	2,376
Total	93,794	219,301

- (b) As of June 30, 2022 and December 31, 2021, there are interest payable for these obligations for approximately S/12,340,000 and S/7,268,000, respectively, which are recorded in the "Other payables" item of the consolidated statements of financial position.
- (c) As of March 31, 2021, includes the premium corresponding to the early redemption of the "Senior Notes Unsecured" issued by InRetail Pharma S.A. in US Dollars for US\$12,794,000 equivalent to S/47,530,000.
- (d) As of March 31, 2021, corresponds mainly to the accrual of the structuring costs related to the early redemption of the "Senior Notes Unsecured" issued by InRetail Pharma S.A. in (i) US Dollars for US\$3,284,000 equivalent to S/12,837,000 y (ii) Soles S/268,000.
- (e) As of March 31, 2021, it corresponds to the transfer of the value over time of other comprehensive income to income for the period, related to the early settlement of the "Call Spread". See Note 8(a).

Notes to the interim consolidated financial statements (continued)

19. Transactions with related parties

(a) The following table provides the total amount of transactions that have been entered into with related parties for the six-month period ended as of June 30, 2022 and 2021:

	2022 S/(000)	2021 S/(000)
Income		
Sales	15,846	14,263
Rendering of services	2,625	1,418
Interest income	1,838	-
Dividend income	983	973
Others	503	307
Total	21,795	16,961
Expenses		
Renting of premises and land	7,896	7,861
Reimbursement of expenses	3,056	2,630
Minor services	8,775	5,167
Interest	23,130	13,599
Others	1,095	1,708
Total	43,952	30,965

(b) As a result of the transactions with related companies, the InRetail Pharma Group recorded the following balances as of June 30, 2022 and December 31, 2021:

	As of June 30, 2022 S/(000)	As of December 31, 2021 S/(000)
Receivables		
Supermercados Peruanos S.A. (e)	7,407	8,639
Homecenters Peruanos S.A. (e)	268	325
Homecenters Oriente S.A.C. (e)	12	15
Agora Servicios Digitales S.A.C.	160	1
Tiendas Peruanas S.A.	59	69
Financiera Oh! S.A.	3,096	1,114
InDigital XP S.A.C.	-	1
Makro Supermayorista S.A.	23	17
Plaza Veá Oriente S.A.C.	-	3
Other	577	157
Total	11,602	10,341

Notes to the interim consolidated financial statements (continued)

	As of June 30, 2022 S/(000)	As of December 31, 2021 S/(000)
Payables		
Homecenters Peruanos S.A.	18	33
InRetail Perú Corp.	-	19
Plaza Vea Oriente S.A.C.	48	114
Financiera Oh! S.A.	3,254	3,004
Agora Servicios Digitales S.A.C.	234	17
Homecenters Oriente S.A.C.	-	1
Real Plaza S.R.L.	116	78
Inmobiliaria Puerta del Sol S.A.	75	25
Makro Supermayorista S.A.	4	17
Supermercados Peruanos S.A.	1,106	576
IR Management S.R.L.	1,824	950
InRetail Consumer (c)	1,368,829	1,416,779
Interproperties Perú	509	191
InDigital XP S.A.C.	932	603
Other	248	233
Total	1,377,197	1,422,640
Remunerations payable to key management	-	-
Total	1,377,197	1,422,640
Current portion	21,905	20,057
Non-current portion	1,355,292	1,402,583
Total	1,377,197	1,422,640

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

- (c) In March 2021, InRetail Consumer (Special Purpose Entity) related entity, granted a loan of US\$288,000,000, equivalent to S/1,103,040,000 as of June 30, 2022, (equivalent to S/1,151,424,000 as of December 31, 2021) and S/266,400,000, said obligations were registered in the consolidated financial statements at amortized cost at an annual effective interest rate of 3.453 and 5.118 percent, respectively, after considering the respective initial charges of approximately US\$2,951,000, equivalent to a total of approximately S/11,304,000 and S/2,844,000, respectively (US\$3,048,000 equivalent to S/12,187,000 as of December 31, 2021).

As of June 30, 2022 and 2021, an interest of S/23,130,000 and S/13,599,000 was accrued, which was recorded in the item "Financial expenses" of the consolidated statement of comprehensive income. Likewise, as of June 30, 2022, accumulated interest payable of S/13,537,000 (as of December 31, 2021 S/14,196,000) is maintained.

The funds obtained from the loan were used, mainly, for the early payment of the "Senior Notes Unsecured".

Notes to the interim consolidated financial statements (continued)

- (d) Outstanding balances at period-end are unsecured and interest free, except for the financial obligations explained in this note. There have been no guarantees provided or received for any related party receivables or payables. As of June 30, 2022 and December 31, 2021, the InRetail Pharma Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.
- (e) Corresponds main to the balances pending for the sale of goods of Química Suiza S.A.C. as of June 30, 2022.
- (f) The compensation of key management personnel of the InRetail Pharma Group for the six-month period ended June 30, 2022 and 2021, is detailed below:

	2022	2021
	S/(000)	S/(000)
Short term employee benefits	18,460	14,683
Insurance and medical benefits	28	29
Employment benefits for contract termination	3,593	-
Total	22,081	14,712

- (g) As of June 30, 2022 and December 31, 2021, the InRetail Pharma Group maintains the following balances in the cash and cash equivalent items:

	2022	2021
	S/(000)	S/(000)
Banco Internacional del Peru – Interbank S.A.A.	24,061	72,559
Inteligo Bank Ltd.	1,115	-

Notes to the interim consolidated financial statements (continued)

20. Earnings per share

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

The following reflects basic and diluted earnings per share computations:

	Ordinary shares		
	Outstanding shares	Effective days until period-end	Weighted average of shares
Number as of January 1, 2021	15,839,379	180	15,839,379
Number as of June 30, 2021	15,839,379		15,839,379
Number as of January 1, 2022	15,839,379	180	15,839,379
Number as of June 30, 2022	15,839,379		15,839,379
	For the six-months period ended June 30, 2022		
	Net income (numerator)	Shares (denominator)	Earnings per share
	S/		S/
Basic and diluted earnings per share	184,581,000	15,839,379	11.653
	For the three-months period ended June 30, 2021		
	Net income (numerator)	Shares (denominator)	Earnings per share
	S/		S/
Basic and diluted loss per share	58,983,000	15,839,379	3.724

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

Notes to the interim consolidated financial statements (continued)

21. Commitments and contingencies

Commitments

The main commitments assumed are presented below:

- (a) As of June 30, 2022, the Company and its Subsidiaries agreed with several financial entities on the issuance of solidary and irrevocable letters of guarantee for approximately S/42,882,000, US\$7,648,000, and B\$165,000 (S/54,711,000, US\$8,053,000 and B\$237,000 as of December 31, 2021), respectively, to comply with the payment of goods purchased to foreign suppliers.

Contingencies

- (a) InRetail Pharma S.A., Albis S.A.C., Química Suiza S.A.C., Mifarma S.A.C., Jorsa de la Selva S.A.C., Vantive S.A.C., Quifatex S.A., Quimiza Ltda. and Boticas IP S.A.C. maintain various claims for civil, labor and tax processes for an approximate total amount of S/50,914,000 as of June 30, 2022 (S/52,988,000 as of December 31, 2021). In the opinion of Management and its legal advisors, said processes should be resolved favorably for these components, in opinion of Management, it is not necessary to record additional liabilities for these items.
- (b) Eckerd Amazonía 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 September 2005 for an approximate amount of S/17,698,000. In opinion of Management and its legal advisors these contingencies are stated as possible, and significant liabilities will not arise as result of this contingency as of June 30, 2022 and December 31, 2021. In July 2021, the tax court issued an unfavorable resolution to the Company for which a payment of S/17,698,000 has been made and recognized an expense of S/9,658,000, the Company will continue with the claim.

22. Business segments

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

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

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

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

As of June 30, 2022 and December 31, 2021, and for the six-month period ended June 30, 2022 and 2021, InRetail Pharma S.A. is organized into two main business lines. Transactions between the business segments are carried out under normal commercial terms and conditions. The following table presents the financial information of InRetail Pharma Group by business segments for the six-month period ended June 30, 2022 and 2021.

	Pharmacies S/(000)	Distribution S/(000)	Total segments S/(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/(000)	Consolidated S/(000)
For the six-month period ended June 30, 2022					
Revenue					
External income	3,021,455	1,075,546	4,097,001	-	4,097,001
Inter-segment	34,456	329,350	363,806	(363,806)	-
Total revenue	3,055,911	1,404,896	4,460,807	(363,806)	4,097,001
Cost of sales	(1,949,174)	(915,343)	(2,864,517)	-	(2,864,517)
Inter-segment	(23,221)	(332,270)	(355,491)	355,491	-
Gross profit	1,083,516	157,283	1,240,799	(8,315)	1,232,484
Selling expenses	(660,081)	(87,475)	(747,556)	(9,731)	(757,287)
Administrative expenses	(116,555)	(32,161)	(148,716)	666	(148,050)
Other operating income, net	12,671	2,054	14,725	-	14,725
Operating profit	319,551	39,701	359,252	(17,380)	341,872
Exchange difference, net	19,880	624	20,504	71	20,575
Financial income	4,866	982	5,848	(195)	5,653
Financial expenses	(87,255)	(6,779)	(94,034)	240	(93,794)
Profit before income tax	257,042	34,528	291,570	(17,264)	274,306
Income tax expense	(81,173)	(13,362)	(94,535)	4,810	(89,725)
Profit for the year	175,869	21,166	197,035	(12,454)	184,581

Notes to the interim consolidated financial statements (continued)

	Pharmacies	Distribution S/(000)	Total segments S/(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/(000)	Consolidated S/(000)
For the six-month period ended June 30, 2021					
Revenue					
External income	2,973,768	1,036,356	4,010,124	-	4,010,124
Inter-segment	20,886	351,714	372,600	(372,600)	-
Total revenue	2,994,654	1,388,070	4,382,724	(372,600)	4,010,124
Cost of sales	(1,923,834)	(868,552)	(2,792,386)	-	(2,792,386)
Inter-segment	(14,594)	(351,853)	(366,447)	366,447	-
Gross profit	1,056,226	167,665	1,223,891	(6,153)	1,217,738
Selling expenses	(587,387)	(86,292)	(673,679)	(74,566)	(748,245)
Administrative expenses	(106,543)	(33,897)	(140,440)	1,242	(139,198)
Other operating income (expenses), net	1,130	1,562	2,692	(3,959)	(1,267)
Operating profit	363,426	49,038	412,464	(83,436)	329,028
Exchange difference, net	(26,270)	4,048	(22,222)	-	(22,222)
Financial income	119,369	115,318	234,687	(231,721)	2,966
Finance expenses	(216,157)	(3,304)	(219,461)	160	(219,301)
Loss before income tax	240,368	165,100	405,468	(314,997)	90,471
Income tax expense	(41,574)	(14,884)	(56,458)	24,970	(31,488)
Loss for the year	198,794	150,216	349,010	(290,027)	58,983

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

Geographic information-

As of June 30, 2022 and December 31, 2021, the operations of all the Company's subsidiaries are mainly carried out in Peru; with income and assets from abroad not being significant at those dates.

23. Fair value

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

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

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

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

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

(b) Fixed-rate financial instruments

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

(c) Investment at fair value through equity

Fair value of investment at fair value through equity is derived from quoted market prices in active markets, if available. Fair value of unquoted investment at fair value through equity is estimated using a discounted cash flow technique.

Notes to the interim consolidated financial statements (continued)

Fair value hierarchy

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

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

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

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

The InRetail Pharma Group does not maintain any financial instrument with fair value determination under level 3 and there were no transfers between levels during the six-month period ended June 30, 2022 and 2021. The InRetail Pharma Group maintains the following financial instruments at fair value:

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

24. Transactions in foreign currency

The financial statements have been stated in Soles using exchange rates prevailing in the market as published by the Superintendence of Banks, Insurance and Pension Funds Administration. As of June 30, 2022 the end of period exchange rates in the market for transactions in US Dollars were S/3.820 per US\$1.00 bid and S/3.830 per US\$ 1.00 ask (S/3.975 and S/3.998 per US\$1.00 for bid and ask as of December 31, 2021).

Transactions in foreign currency are carried out using exchange rates prevailing in the market as published by authorized entities of the country in which the Company and its Subsidiaries operate. As of June 30, 2022 and December 31, 2021, the end of period exchange rate at the market for transactions of the different currency in relation to the Sol are as following:

<u>Exchange rate per Soles</u>	<u>2022</u>	<u>2021</u>
U. S. Dollars (US\$)	0.261	0.25
Bolivian Peso (B\$)	1.817	1.741

Notes to the interim consolidated financial statements (continued)

As of June 30, 2022 and December 31, 2021, the InRetail Pharma Group held the following foreign currency assets and liabilities:

	As of June 30, 2022		As of December 31, 2021	
	US\$(000)	b\$ (000)	US\$(000)	b\$ (000)
Assets				
Cash and short-term deposits	10,175	22,369	11,636	21,383
Investments at fair value through equity	34,863	-	43,322	-
Trade receivables, net	65,962	32,075	47,595	31,704
Other accounts receivables, net	9,720	3,904	9,618	3,986
Accounts receivable from related parties	38	-	38	-
Total assets	120,758	58,348	112,209	57,073
Liabilities				
Trade payables	(98,945)	(17,227)	(80,070)	(15,171)
Other payables	(5,682)	(5,840)	(6,372)	(7,851)
Accounts payable to related parties	(290,549)	-	(290,607)	-
Lease liability	(84,462)	(764)	(88,806)	(1,267)
Interest - bearing loans and borrowings	(13,360)	-	(10,923)	-
Total Liabilities	(492,998)	(23,831)	(476,778)	(24,289)
Hedge amount	288,000	-	288,000	-
Net (liability) assets position	(84,240)	34,517	(76,569)	32,784

As of June 30, 2022 and December 31, 2021, InRetail Pharma and its Subsidiaries have decided to reduce its exchange rate risk by entering into a hedging operations through a derivative financial instruments written over its intercompany loan with InRetail Consumer, which is considered an effective hedging instrument.

These instruments have been subscribed for a nominal value of US\$138,000,000, US\$100,000,000 and US\$50,000,000 as of June 30, 2022 and December 31, 2021, the Call Spread protects fluctuations in the exchange rate between S/3.70 and S/4.20 and the Range Only Principal Swap between S/ 3.70 and S/6.00 and will be effective until the maturity of the loans for pay to related parties. See note 8.

For the six-month period ended as of June 30, 2022 and 2021, InRetail Pharma has incurred in the following results for exchange difference:

	2022	2021
	S/(000)	S/(000)
Exchange difference generated by hedged assets and liabilities	48,384	(77,648)
Compensation of exchange difference for hedging derivative	(48,384)	77,648
Exchange difference generated by unhedged assets and liabilities	20,575	(22,222)
Net profit (loss)	20,575	(22,222)

25. Subsequent event

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

Notes to the interim consolidated financial statements (continued)

26. Additional explanation for English translation

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