

InRetail Pharma S.A. and Subsidiaries

Interim consolidated financial statements as of September 30, 2023 (non-audited) and December 31, 2022 (audited) and for the nine-month period ended September 30, 2023 and 2022

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Interim consolidated statements of financial position

As of September 30, 2023 (unaudited) and December 31, 2022 (audited)

	Note	2023 S/(000)	2022 S/(000)		Note	2023 S/(000)	2022 S/(000)
Assets				Liabilities and equity			
Current assets				Current liabilities			
Cash and short-term deposits	4	308,272	347,282	Trade payables	11	1,775,601	1,853,560
Trade receivables, net	5	625,145	642,157	Other payables		240,342	252,854
Other receivables, net		61,673	134,549	Accounts payable to related parties	19(b)	20,680	30,157
Accounts receivables from related parties	19(b)	13,352	18,672	Interest-bearing loans and borrowings	13	35,280	300,897
Inventories, net	6	1,292,109	1,326,488	Lease liability	12(c)	222,536	226,026
Taxes recoverable		42,084	88,309	Current income tax	14(b)	75,468	13,086
Prepayments		21,644	5,116	Total current liabilities		2,369,907	2,676,580
Total current assets		2,364,279	2,562,573				
Non-current assets				Non-current liabilities			
Other receivables, net		51,737	32,718	Other payables		32,553	3,873
Investments at fair value through equity	7	97,143	98,485	Accounts payable to related parties	19(b)	1,348,623	1,353,541
Derivative financial instrument	8	36,586	57,107	Interest-bearing loans and borrowings	13	999,257	991,857
Property, furniture and equipment, net	9	812,708	822,228	Lease liability	12(c)	457,272	406,095
Right-of-use assets, net	12(b)	639,251	584,202	Reserves for employee retirement pension funds		24,357	23,761
Intangible assets, net	10	1,826,606	1,838,692	Deferred income tax liabilities, net	14(a)	158,887	119,417
Deferred income tax assets, net	14(a)	188,436	102,808	Total non-current liabilities		3,020,949	2,898,544
Other assets		2,435	2,435	Total liabilities		5,390,856	5,575,124
Total non-current assets		3,654,902	3,538,675	Equity			
Total assets		6,019,181	6,101,248	Capital stock	15(a)	15,840	15,840
				Capital premium	15(b)	482,835	482,835
				Other reserves		3,168	3,168
				Unrealized results from derivative financial instruments		(33,586)	(38,001)
				Unrealized results from valuation of investment at fair value		(11,901)	(11,337)
				Unrealized results from actuarial reserve for retirement		474	474
				Unrealized results from foreign currency translation		2,921	3,001
				Retained earnings		168,574	70,144
				Total equity		628,325	526,124
				Total liabilities and equity		6,019,181	6,101,248

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

InRetail Pharma S.A. and Subsidiaries

Interim consolidated Income statements

For the nine-month period ended September 30, 2023 and 2022

	Note	2023 S/(000)	2022 S/(000)
Net sales of goods		6,356,345	6,101,637
Rental income		88,253	77,167
Rendering of services		195,050	160,539
Revenue		6,639,648	6,339,343
Cost of sales	17	(4,545,427)	(4,407,159)
Gross profit		2,094,221	1,932,184
Selling expenses	17	(1,154,589)	(1,156,887)
Administrative expenses	17	(238,212)	(229,170)
Other operating income, net		6,389	17,448
Operating profit		707,809	563,575
Financial income		12,200	8,985
Financial expenses	18	(142,751)	(152,545)
Exchange difference, net		9,203	11,385
Profit before income tax		586,461	431,400
Income tax expense	14(a)	(188,031)	(140,876)
Net profit		398,430	290,524
Earnings per share:			
Basic and diluted profit for the period	20	25.154	18.342

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 nine-month period ended September 30, 2023 and 2022

	2023	2022
	S/(000)	S/(000)
Profit for the period	398,430	290,524
Other comprehensive income		
Unrealized loss on investments at fair value through equity	(800)	(21,708)
Income tax effect	236	6,404
Total other comprehensive income from investments at fair value through equity	(564)	(15,304)
Unrealized gain from derivative financial instrument	6,262	2,505
Income tax effect	(1,847)	(739)
Total comprehensive income from derivative financial instruments	4,415	1,766
Other comprehensive income for the period, net of income tax effects	3,851	(13,538)
Total comprehensive income for the period	402,281	276,986

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 nine-month period ended September 30, 2023 and 2022

	Capital stock	Capital premium	Other reserves	Unrealized results from derivative financial instrument	Unrealized results from investment at fair value through equity	Unrealized results from actuarial reserve for retirement	Unrealized results from foreign currency translation	Retained earnings	Total equity
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
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	-	-	-	-	-	-	-	290,524	290,524
Other comprehensive income	-	-	-	1,766	(15,304)	-	-	-	(13,538)
Total comprehensive income	-	-	-	1,766	(15,304)	-	-	290,524	276,986
Dividends paid	-	-	-	-	-	-	-	(252,140)	(252,140)
Transfer to other reserve	-	-	74,667	-	-	-	-	(74,667)	-
Other	-	-	-	-	-	-	(933)	580	(353)
Balance as of September 30, 2022	15,840	482,835	107,550	(52,748)	(2,039)	739	3,161	(112,661)	442,677
Balance as of January 1, 2023	15,840	482,835	3,168	(38,001)	(11,337)	474	3,001	70,144	526,124
Profit for the period	-	-	-	-	-	-	-	398,430	398,430
Other comprehensive income	-	-	-	4,415	(564)	-	-	-	3,851
Total comprehensive income	-	-	-	4,415	(564)	-	-	398,430	402,281
Dividends paid	-	-	-	-	-	-	-	(300,000)	(300,000)
Other	-	-	-	-	-	-	(80)	-	(80)
Balance as of September 30, 2023	15,840	482,835	3,168	(33,586)	(11,901)	474	2,921	168,574	628,325

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 nine-month period ended September 30, 2023 and 2022

	Note	2023 S/(000)	2022 S/(000)
Operating activities			
Revenue		6,654,953	6,204,884
Payment of goods and services to suppliers		(5,001,830)	(4,856,504)
Payment of salaries and social benefits to employees		(640,352)	(657,571)
Taxes paid		(135,459)	(153,216)
Other collections (payment), net		33,416	(10,220)
Net cash flows from operating activities		910,728	527,373
Investing activities			
Sales of property, furniture and equipment		668	367
Purchase of property, furniture and equipment, net of acquisitions through leasing contracts		(51,182)	(172,633)
Purchase and development of intangible assets		(19,297)	(32,697)
Net cash flows used in investing activities		(69,811)	(204,963)
Financing activities			
Proceeds from interest-bearing loans and borrowings, net of structuring cost		130,550	598,962
Payment of interest-bearing loans and borrowings		(429,030)	(444,092)
Payment of lease liability	12	(203,592)	(176,908)
Interest payment of lease liability	12	(31,485)	(28,002)
Payment of dividends		(300,000)	(252,140)
Interest paid		(46,370)	(43,643)
Net cash flows used in financing activities		(879,927)	(345,823)
Net decrease of cash and short-term deposits		(39,010)	(23,413)
Cash and short-term deposits at the beginning of the period		347,282	299,340
Cash and short-term deposits at the end of the period		308,272	275,927
Non-cash transactions			
Fixed assets purchased through leasing and other financial obligations		40,350	65,100
Addition of right-of-use assets		265,926	203,719

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 September 30, 2023 and December 31, 2022 and for the nine-month period ended September 30, 2023 and 2022

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 September 30, 2023 and December 31, 2022, the Company is a subsidiary of InRetail Perú Corp. which holds 100.00 percent of the Company’s capital stock. Likewise, InRetail Perú Corp. is a subsidiary of Intercorp Retail Inc., which is one of the entities of the Intercorp Perú Group operating in Peru and abroad.

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

(b) Business activity

The Company and its Subsidiaries Droguería 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 2023 and 2022, 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., 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 September 30, 2023 and December 31, 2022.

The accompanying interim consolidated financial statements as of September 30, 2023 and for the nine-month period ended September 30, 2023 and 2022 were approved by the Board of Directors on November 13, 2023.

Notes to the interim consolidated financial statements (continued)

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 2,286 stores as of September 30, 2023 (2,290 stores as of December 31, 2022) and have operations in Peru, Ecuador and Bolivia as of September 30, 2023 and December 31, 2022.

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.

At the General Shareholders' Meeting of August 3, 2022, the merger of the Company with InRetail Pharma S.A. was agreed, in which the latter would act as the absorbing company, therefore, Droguería InRetail Pharma S.A.C. extinguished without the need to be dissolved or liquidated.

- (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) Mifarma S.A.C.

It is a subsidiary of InRetail Pharma S.A., it was incorporated on November 22, 2005. 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 Jorsa de la Selva S.A.C.:

- 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.

- (d) Química Suiza S.A.C.

Incorporated in Peru on March 6, 1939 and its legal address is located at Av. Defensores del Morro N°1277, Chorrillos, Lima, Perú. It is a subsidiary of InRetail Pharma S.A. 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.

Notes to the interim consolidated financial statements (continued)

The company holds 99.99 percent of Vanttive:

- 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 September 30, 2023 and December 31, 2022. Its Legal address is located in Av. Carlos Villarán N ° 105, La Victoria, Lima, Perú.

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.

(e) Quicorp S.A. is a Holding incorporated in Peru in September 2010.

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 Superintendence 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 Superintendence of Corporations in the Republic of Ecuador.

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

- 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.

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 September 30, 2023 and December 31, 2022, 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, 2022.

(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, 2022, except for the adoption of the new standards and interpretations as of January 1, 2023.

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 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.

(ii) 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 September 30, 2023 S/(000)	As of December 31, 2022 S/(000)
Cash (b)	8,209	7,892
Current accounts (c)	162,769	241,230
Other deposits (d)	66,447	10,593
Cash in transit	70,847	87,567
Total	308,272	347,282

(b) Comprises mainly of 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 September 30, 2023, time deposits and savings account are freely available, are kept in Soles, in local financial institutions, have a maturity of up to one month from their constitution and accrue interest between 0.15 and 7.50 percent per year in Soles and 0.15 percent in US Dollars (time deposits between 0.01 and 0.35 percent per year in Soles and 0.15 percent in US Dollars as of December 31, 2022).

5. Trade receivables, net

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

	As of September 30, 2023 S/(000)	As of December 31, 2022 S/(000)
Trade accounts receivable (b)	637,246	645,049
Credit card operators (c)	31,331	33,952
Total	668,577	679,001
Provision for doubtful accounts (d)	(43,432)	(36,844)
Total	625,145	642,157

(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 nine-month period ended September 30, 2023 and 2022, were as follows:

	2023 S/(000)	2022 S/(000)
Balance at the beginning of the period	36,844	38,258
Provision recognized as expense, Note 17 (a)	9,395	7,369
Recoveries, Note 17 (a)	(2,368)	(1,403)
Write-offs	(320)	(4,610)
Foreign currency translation	(119)	(95)
Balance at the end of the period	43,432	39,519
Balance as of December 31, 2022		36,844

As of September 30, 2023 and December 31, 2022, the amount of overdue account receivables but non-impaired amounted to approximately S/109,082,000 and S/84,435,000, respectively.

In the opinion of Management of the InRetail Pharma Group, the provision for doubtful accounts receivables as of September 30, 2023 and December 31, 2022, 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 September 30, 2023 S/(000)	As of December 31, 2022 S/(000)
Goods, Note 17 (a)	1,222,765	1,266,646
In transit inventories (b)	102,037	82,674
Raw material, Note 17 (a)	906	108
Miscellaneous supplies	5,143	5,864
Miscellaneous supplies for manufacturing, Note 17 (a)	1,758	860
Total	1,332,609	1,356,152
Minus		
Provision for impairment of inventories (c)	(40,500)	(29,664)
Total	1,292,109	1,326,488

- (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 nine-month period ended September 30, 2023 and 2022, were as follows:

	2023 S/(000)	2022 S/(000)
Balance at the beginning of the period	29,664	14,606
Provision of the period, Note 17 (a)	30,105	17,188
Recovery	(19,338)	(6,745)
Write-off	-	(79)
Foreign currency translation	69	2
Balance at the end of the period	40,500	24,972
Balance as of December 31, 2022		29,664

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

The Company maintains financial investments corresponding to bonds issued by InRetail Consumer, maturing in 2028 and accruing annual interest of 3.25 percent and presented in the consolidated statement of cash flow. As of September 30, 2023, these financial instruments amount to US\$25,631,000 equivalent to S/97,143,000 (as of December 31, 2022, US\$25,863,000 equivalent to S/98,485,000).

In December 2022, the Company sold their investments at fair value through equity to a related Company for an amount of US\$13,033,000 equivalent to S/49,745,000.

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

As of September 30, 2023 and December 31, 2022, the unrealized result net of deferred tax is a loss of S/11,901,000 and S/2,039,000 respectively and is presented in the consolidated statement of changes in equity.

8. Derivatives financial instruments

As of September 30, 2023 and December 31, 2022, 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 2023 S/(000)	Fair value 2022 S/(000)
Citibank N.A. (a)	138,000	Mar-28	-	523,986	28,363	32,164
Citibank N.A. (a)	100,000	Mar-28	1.50	379,700	5,623	16,762
Citibank N.A. (a)	50,000	Mar-28	1.50	189,850	2,600	8,181
Total					36,586	57,107

Notes to the interim consolidated financial statements (continued)

- (a) 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, 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 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 is 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/5,686,000 was generated as of September 30, 2023 (S/5,561,000 as of September 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 an effective hedging instruments, 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 2023	Total 2022
	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)	S/(000)
Cost								
Initial balance	356,148	524,781	162,537	1,618	364,057	4,840	1,413,981	1,276,126
Additions (b)	957	12,938	12,072	124	41,211	24,230	91,532	278,762
Sales (c)	(254)	(6)	(93)	(198)	(7,496)	-	(8,047)	(4,345)
Disposal (c)	-	(7,406)	(3,508)	(41)	(16,994)	-	(27,949)	(133,469)
Transfer	-	2,004	69	1	1,442	(3,516)	-	-
Foreign currency translation	(6)	(44)	1,088	-	640	(1)	1,677	(3,093)
Final balance	356,845	532,267	172,165	1,504	382,860	25,553	1,471,194	1,413,981
Accumulated depreciation								
Initial balance	-	268,003	78,802	1,211	243,737	-	591,753	632,356
Additions (d)	-	39,788	23,484	89	37,216	-	100,577	98,338
Sales (c)	-	(6)	(92)	(198)	(7,453)	-	(7,749)	(4,305)
Disposal (c)	-	(7,405)	(3,496)	(41)	(16,972)	-	(27,914)	(132,320)
Transfers	-	6	(1)	-	(5)	-	-	-
Foreign currency translation	-	(22)	1,098	-	743	-	1,819	(2,316)
Final balance	-	300,364	99,795	1,061	257,266	-	658,486	591,753
Net book value	356,845	231,903	72,370	443	125,594	25,553	812,708	822,228

(b) Additions for the nine-month period ended September 30, 2023 and December 31, 2022, correspond mainly to the construction and equipment of new pharmacies for InRetail Pharma Group.

Additionally, in 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 nine-month period ended September 30, 2023 and 2022, was recorded as follows in the income statement:

	2023 S/(000)	2022 S/(000)
Sales expenses, Note 17 (a)	90,377	58,520
Administrative expenses, Note 17 (a)	9,124	9,237
Cost of sales, Note 17 (a)	1,076	1,189
Balance as of September 30	100,577	68,946
Balance as of December 31, 2022		98,338

- (e) As of September 30, 2023, the cost and corresponding accumulated depreciation of assets acquired through financial leases amount to approximately S/137,353,000 and S/79,678,000, respectively (S/110,215,000 and S/72,812,000 respectively, as of December 31, 2022).
- (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 September 30, 2023 S/(000)	As of December 31, 2022 S/(000)
Cost		
Initial balance	911,241	902,533
Additions (c)	19,297	45,589
Disposal and/or sales	(73,342)	(36,662)
Foreign currency translation	(187)	(219)
Final balance	857,009	911,241
Accumulated amortization		
Initial balance	345,183	321,228
Additions (d)	31,371	60,822
Disposals and/or sales	(73,333)	(36,662)
Foreign currency translation	(184)	(205)
Final balance	303,037	345,183
Goodwill		
Initial balance	1,272,634	1,272,634
Additions	-	-
Final balance	1,272,634	1,272,634
Net book value	1,826,606	1,838,692

Notes to the interim consolidated financial statements (continued)

- (b) As of September 30, 2023 and December 31, 2022, 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 September 30, 2023 and December 31, 2022, 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 Pharma Group.
- (d) Amortization expense for the nine-month period September 30, 2023 and 2022 has been recorded in the following items of the combined statements:

	2023 S/(000)	2022 S/(000)
Sales expenses, Note 17 (a)	11,158	35,995
Administrative expenses, Note 17 (a)	20,213	8,421
Cost of sales, Note 17 (a)	-	4
Balance as of September 30	31,371	44,420
Balance as of December 31, 2022		60,822

11. Trade payables

The table below presents the composition of this item:

	As of September 30, 2023 S/(000)	As of December 31, 2022 S/(000)
Bills payable from purchase of goods	1,586,325	1,637,453
Bills payable from commercial services	189,276	216,107
Total	1,775,601	1,853,560

This item mainly includes the obligations to non-related local, and foreign suppliers, denominated in local currency, Euro, Swiss franc 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 4 to 5 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 nine-month period ended as of September 30, 2023 and December 31, 2022, is as follows:

	Buildings infrastructure and facilities	Vehicles	Total 2023	Total 2022
	S/(000)	S/(000)	S/(000)	S/(000)
Cost				
Initial balance	1,172,515	1,513	1,174,028	996,654
Additions	265,394	532	265,926	362,450
Disposal and/or sales	(15,925)	(1,083)	(17,008)	(182,946)
Foreign currency translation	(232)	(21)	(253)	(2,130)
Final balance	1,421,752	941	1,422,693	1,174,028
Accumulated depreciation				
Initial balance	588,648	1,178	589,826	486,058
Additions, Note 17 (a)	202,528	233	202,761	266,923
Disposal and/or sales	(7,999)	(1,083)	(9,082)	(162,345)
Foreign currency translation	(40)	(23)	(63)	(810)
Final balance	783,137	305	783,442	589,826
Net book value	638,615	636	639,251	584,202

Depreciation expense for the nine-month period ended September 30, 2023 and 2022, was recorded as follows in the income statement:

	2023	2022
	S/(000)	S/(000)
Sales expenses, Note 17 (a)	196,950	175,492
Administrative expenses, Note 17 (a)	4,016	3,039
Cost of sales, Note 17 (a)	1,795	1,409
Balance as of September 30	202,761	179,940
Balance as of December 31, 2022		266,923

Notes to the interim consolidated financial statements (continued)

- c) The movement of the lease liability item, as of September 30, 2023 and December 31, 2022, is as follows:

	As of September 30, 2023	As of December 31, 2022
	S(000)	S(000)
Initial balance	632,121	568,211
Additions	265,926	362,450
Increase for accrued interest, Note 18	31,485	39,897
Amortization	(234,510)	(294,344)
Disbursements made at the start of the contract	(567)	(206)
Disposal	(7,554)	(22,413)
Prepayment rents	2,387	(1,890)
Exchange rate	(9,290)	(18,230)
Foreign currency translation	(190)	(1,354)
Final balance	679,808	632,121
Current	222,536	226,026
Non-current	457,272	406,095
Final balance	679,808	632,121

Additionally, in the nine-month period ended as of September 30, 2023 and 2022, interest related to the lease liability of S/31,485,000 and S/28,002,000, 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)	2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)	2023 S/(000)	2022 S/(000)
Senior Notes Unsecured (b)											
Senior Notes Unsecured	PEN	6.438	2025	-	385,800	385,091	384,786	-	-	385,091	384,786
				-	385,800	385,091	384,786	-	-	385,091	384,786
Leasings											
Non related entities											
Banco de Crédito del Perú	PEN	10.320	2028	-	1,462	1,326	-	251	-	1,075	-
				-	1,462	1,326	-	251	-	1,075	-
Notes and Loans											
Related entities											
Banco Internacional del Perú-Interbank (e)	PEN	3.750	2026	-	220,000	218,953	218,592	-	-	218,953	218,592
Banco Internacional del Perú-Interbank	PEN	9.390	2023	-	20,000	-	20,000	-	20,000	-	-
Non related entities											
Banco Scotiabank (c)	PEN	3.750	2026	-	330,000	328,431	327,890	-	-	328,431	327,890
BBVA Banco Continental	PEN	9.630	2023	-	20,000	-	20,000	-	20,000	-	-
Banco Scotiabank	PEN	Between 8.700 and 10.060	2023	-	130,000	-	130,000	-	130,000	-	-
Banco Pichincha	USD	7.750	2023	3,000	-	-	11,460	-	11,460	-	-
Banco Scotiabank	PEN	Between 9.580 and 10.240	2023	-	51,000	-	51,000	-	51,000	-	-
Banco de Crédito del Perú (d)	PEN	9.260	2023	-	11,000	11,000	-	11,000	-	-	-
Banco de Crédito del Perú	PEN	Between 8.600 and 9.050	2023	-	20,000	-	20,000	-	20,000	-	-
BBVA Banco Continental	PEN	9.620	2023	-	15,000	-	15,000	-	15,000	-	-
BBVA Banco Continental	PEN	8.710	2023	-	15,000	-	15,000	-	15,000	-	-
				3,000	832,000	558,384	828,942	11,000	282,460	547,384	546,482
Derivative financial instrument financing, Note 8											
Citibank N.A.	PEN	Between 8.441 and 8.665	2028	-	48,931	34,607	40,724	6,671	6,117	27,936	34,607
				-	48,931	34,607	40,724	6,671	6,117	27,936	34,607
Other obligations (f)											
Hewlett Packard S.A.	USD	Between 0.280 and 5.920	2027	14,862	-	52,145	35,959	16,041	11,578	36,104	24,381
Inversiones Nueva Capital Peru S.A.	USD	Between 1.830 and 6.290	2025	451	-	1,491	406	664	135	827	271
Nuevo Capital Leasing Peru S.A.C.	USD	5.280	2025	663	-	1,493	1,937	653	607	840	1,330
				15,976	-	55,129	38,302	17,358	12,320	37,771	25,982
Total				18,976	1,268,193	1,034,537	1,292,754	35,280	300,897	999,257	991,857

Notes to the interim consolidated financial statements (continued)

- (b) 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/709,000 as of September 30, 2023 (S/1,014,000 as of December 31, 2022).

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 September 30, 2023 and December 31, 2022. Likewise, 100 percent of the "Senior Notes Unsecured" is guaranteed by the shares of InRetail Pharma S.A. and Subsidiaries.

- (c) Scotiabank Perú
InRetail Pharma S.A.

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/1,569,000 as of September 30, 2023 (S/2,110,000 as of December 31, 2022).

- (d) Banco de Crédito del Perú
Química Suiza S.A.C.

Corresponds to one loan for a total amount of S/11,000,000 with maturity in October 2023. The annual accrued interest rate is 9.26 percent. There are no specific guarantees.

Notes to the interim consolidated financial statements (continued)

- (e) Banco Internacional del Perú-Interbank
InRetail Pharma S.A.

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/1,047,000 as of September 30, 2023 (S/1,408,000 as of December 31, 2022).

- (f) Corresponds to the debt acquired with Hewlett Packard S.A., Nuevo Capital Leasing Perú S.A.C. and Inversiones Nueva Capital Peru S.A., for the purchase and leasing of computer equipment. These contracts do not have specific guarantees.
- (g) During the nine-month period ended September 30, 2023 and 2022, loans and borrowings accrued interests are recorded in the "Financial expenses" item of the consolidated income statement, see Note 18. Also, as of September 30, 2023 and December 31, 2022, there are interests payable which are recorded in the "Other payables" item of the consolidated statements of financial position.
- (h) 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 September 30, 2023 and December 31, 2022, standard clauses do not limit the normal operation of the InRetail Pharma Group and have been fulfilled.
- (i) Financial obligations are payable as follows:

	2023	2022
	S/ (000)	S/ (000)
2023	15,264	300,897
2024	24,346	18,270
2025	680,715	672,639
2026	294,104	286,729
2027	15,388	9,733
2028 onwards	4,720	4,486
Total	1,034,537	1,292,754

Notes to the interim consolidated financial statements (continued)

14. Income tax

- (a) The amounts presented in the statement of financial position as of September 30, 2023 and December 31, 2022, as well as the consolidated income statements for the nine-month period ended September 30, 2023 and 2022 are shown below:

Statements of financial position	As of September 30, 2023		As of December 31, 2022	
	Assets	Liabilities	Assets	Liabilities
	S/(000)	S/(000)	S/(000)	S/(000)
InRetail Pharma S.A.	82,141	-	55,929	-
Química Suiza S.A.C.	-	44,543	-	45,886
Vanttive S.A.C.	106	-	95	-
Quicorp S.A.	-	-	17	-
Quifatex S.A.	8,866	-	9,053	-
Vanttive Cía. Ltda.	293	-	283	-
Farmacías Peruanas S.A.C.	13,605	-	10,582	-
Quimiza Ltda.	656	-	858	-
Mifarma S.A.C.	49,272	-	45,537	-
Boticas IP S.A.C.	29,932	-	23,548	-
Jorsa de la Selva S.A.C.	3,565	-	2,792	-
Consolidation adjustment	-	114,344	-	119,417
Total	188,436	158,887	148,694	165,303

Statements of comprehensive income	Income tax for the nine-months period ended September 30, 2023 and 2022	
	2023	2022
	S/(000)	S/(000)
Current	(235,883)	(178,093)
Deferred	47,852	37,217
Income tax expense	(188,031)	(140,876)

- (b) As of September 30, 2023 and December 31, 2022, the liability for income tax, net of the advanced tax, amounted to approximately S/75,468,000 and S/13,086,000, respectively. Also, as of September 30, 2023 and December 31, 2022, the income tax credit amounted to approximately S/32,287,000 and S/70,329,000, respectively.

15. Equity

- (a) Capital stock

As of September 30, 2023 and December 31, 2022, the capital stock of the Company is represented by 15,839,379 common shares, with a nominal value of S/1.00 each, which are entirely 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.

Notes to the interim consolidated financial statements (continued)

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 September 30, 2023 and December 31, 2022, this item includes the legal reserve established by the Company. As provided in the General Corporations Law, it is required that a minimum of 10 percent of distributable income for each year is transferred to a legal reserve until such reserve equals 20 percent of the capital. The legal reserve can absorb losses or be capitalized, in both cases it must be replenished. The legal reserve is appropriated when the General Shareholders' Meeting approves it.

(d) Distribution of dividends

At the General Shareholders' Meeting held on July 6, August 11, and September 8, 2023, the distribution of dividends was approved for a value of S/75,000,000, which was paid during the third quarter of 2023.

At the General Shareholders' Meeting held on April 17, May 8, and June 15, 2023, the distribution of dividends was approved for a value of S/125,000,000, which was paid during the second quarter of 2023.

At the General Shareholders' Meeting held on January 13, February 13, and March 7, 2023, the distribution of dividends was approved for a value of S/100,000,000, which was paid during the first quarter of 2023.

At the General Shareholders' Meeting held on August 19, 2022, the distribution of dividends was approved for a value of S/25,000,000, which was paid during the second 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 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.

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 September 30, 2023 and December 31, 2022, 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 September 30, 2023 and December 31, 2022, the income tax rate is:

	Tax rate	
	2023	2022
	%	%
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 September 30, 2023 and December 31, 2022.
- (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.	From 2019 to 2022	From 2019 to 2023
Eckerd Amazonía S.A.C.	From 2018 to 2021	From 2019 to 2021
Boticas del Oriente S.A.C.	From 2018 to 2021	From 2019 to 2021
Quicorp S.A.	From 2018 to 2022	From 2019 to 2023
Química Suiza Comercial S.A.C.	2018	-
Vanttive S.A.C.	From 2018 to 2022	From 2019 to 2023
FP Servicios Generales S.A.C.	From 2021 to 2022	From 2021 to 2023
Vanttive Cía. Ltda.	From 2020 to 2022	From 2020 to 2023
Química Suiza S.A.C.	From 2018 to 2022	From 2019 to 2023
Quifatex S.A.	From 2019 to 2022	From 2019 to 2023
Quimiza Ltda.	From 2015 to 2022	From 2015 to 2023
Jorsa de la Selva S.A.C.	From 2018 to 2022	From 2019 to 2023
Mifarma S.A.C.	From 2018 to 2022	From 2019 to 2023
Albis S.A.C.	From 2018 to 2021	From 2019 to 2021
Droguería InRetail Pharma S.A.C.	From 2019 to 2022	From 2019 to 2023
Farmacías Peruanas S.A.C.	From 2020 to 2022	From 2020 to 2023
Botica Torres de Limatambo S.A.C.	2018	-
Droguería La Victoria S.A.C.	2018	-
Boticas IP S.A.C	From 2021 to 2022	From 2021 to 2023
Farmacías Peruanas S.A.	2018	-
Superfarma Mayoristas S.A.C.	2018	-

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 September 30, 2023 and December 31, 2022.

17. Operating expenses

(a) The table below presents the components of this item for the nine-month period ended September 30, 2023 and 2022:

	2023 S/(000)	2022 S/(000)
Cost of sales	4,545,427	4,407,159
Selling expenses	1,154,589	1,156,887
Administrative expenses	238,212	229,170
Total	5,938,228	5,793,216

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

	2023			
	Cost of sales S/(000)	Selling expenses S/(000)	Administrative expenses S/(000)	Total S/(000)
Initial balance of goods, Note 6 (a)	1,266,646	-	-	1,266,646
Initial balance of raw material, Note 6 (a)	108	-	-	108
Initial balance of supplies, Note 6 (a)	860	-	-	860
Purchase of goods and supplies	4,462,525	-	-	4,462,525
Final balance of goods, Note 6 (a)	(1,222,765)	-	-	(1,222,765)
Final balance of raw materials, Note 6 (a)	(906)	-	-	(906)
Final balance of supplies, Note 6 (a)	(1,758)	-	-	(1,758)
Impairment of inventories, Note 6 (c)	10,767	-	-	10,767
Personnel expenses	13,523	544,599	109,748	667,870
Depreciation, Note 9 (d)	1,076	90,377	9,124	100,577
Depreciation of right-of-use asset, Note 12 (b)	1,795	196,950	4,016	202,761
Amortization, Note 10 (d)	-	11,158	20,213	31,371
Services provided by third parties (b)	-	201,112	76,680	277,792
Advertising	-	40,782	12	40,794
Packing and packaging	-	5,274	319	5,593
Rental of premises	-	11,345	-	11,345
Low-value asset leases	63	3,081	559	3,703
Taxes	-	6,284	8,288	14,572
Provision for doubtful trade receivables, Note 5(d)	-	9,395	-	9,395
Provision for doubtful other account receivables	-	2,101	-	2,101
Recoveries of provision trade account receivables, Note 5(d)	-	(2,368)	-	(2,368)
Recovery of provision other account receivables	-	(2,203)	-	(2,203)
Insurance	-	8,116	1,121	9,237
Other charges (c)	13,493	28,586	8,132	50,211
Total	4,545,427	1,154,589	238,212	5,938,228

Notes to the interim consolidated financial statements (continued)

	2022			
	Cost of	Selling	Administrative	Total
	sales	expenses	expenses	
S/(000)	S/(000)	S/(000)	S/(000)	
Initial balance of goods	1,235,753	-	-	1,235,753
Initial balance of raw material	860	-	-	860
Initial balance of supplies	874	-	-	874
Purchase of goods	4,402,619	-	-	4,402,619
Final balance of goods	(1,268,306)	-	-	(1,268,306)
Final balance of raw materials	(387)	-	-	(387)
Final balance of supplies	(984)	-	-	(984)
Impairment of inventories, Note 6 (c)	10,443	-	-	10,443
Personnel expenses	-	558,331	116,049	674,380
Depreciation, Note 9 (d)	1,189	58,520	9,237	68,946
Depreciation of right-of-use asset, Note 12 (b)	1,409	175,492	3,039	179,940
Amortization, Note 10 (d)	4	35,995	8,421	44,420
Services provided by third parties (b)	-	190,175	65,048	255,223
Advertising	-	40,830	32	40,862
Packing and packaging	-	8,052	514	8,566
Rental of premises	-	16,678	64	16,742
Low-value asset leases	62	22,737	818	23,617
Taxes	-	5,784	11,714	17,498
Provision for doubtful trade receivables, Note 5(d)	-	7,369	-	7,369
Provision for doubtful other account receivables	-	215	1,796	2,011
Recovery of provision for doubtful trade receivables, Note 5(d)	-	(1,403)	-	(1,403)
Insurance	-	7,571	1,677	9,248
Other charges (c)	23,623	30,541	10,761	64,925
Total	4,407,159	1,156,887	229,170	5,793,216

- (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:

	2023	2022
	S/(000)	S/(000)
Interest on loans, borrowings and bonds payable	45,137	54,126
Interest on loans with related parties, Note 19 (c)	35,741	35,772
Interest on lease liability, Note 12 (c)	31,485	28,002
Accrual of structuring cost of financial obligation	2,912	2,791
Interest from derivative instruments "Call Spread"	2,508	2,939
Premium accrual of "Call Spread"	14,474	14,570
Accrual of the value in the time of exchange of derivative financial instruments (c)	5,686	5,561
Other financial expenses	4,808	8,784
Total	142,751	152,545

Notes to the interim consolidated financial statements (continued)

- (b) As of September 30, 2023 and December 31, 2022, there are interest payable for these obligations for approximately S/12,065,000 and S/10,790,000, respectively, which are recorded in the "Other payables" item of the consolidated statements of financial position.
- (c) As of September 30, 2023 and 2022, 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).

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 nine-month period ended as of September 30, 2023 and 2022:

	2023 S/(000)	2022 S/(000)
Income		
Sales	20,257	24,432
Rendering of services	4,994	5,435
Interest income	2,716	1,773
Dividend income	-	983
Others	-	727
Total	27,967	33,350
Expenses		
Renting of premises and land	12,748	11,662
Reimbursement of expenses	5,349	3,838
Share service center	12,996	8,991
Minor services	5,087	3,727
Interest	35,741	35,772
Others	2,974	3,275
Total	74,895	67,265

- (b) As a result of the transactions with related companies, the InRetail Pharma Group recorded the following balances as of September 30, 2023 and December 31, 2022:

	As of September 30, 2023 S/(000)	As of December 31, 2022 S/(000)
Receivables		
Supermercados Peruanos S.A. (e)	6,831	14,847
Homecenters Peruanos S.A. (e)	306	169
Homecenters Oriente S.A.C. (e)	17	16
Agora Servicios Digitales S.A.C.	4,388	2,126
Tiendas Peruanas S.A.	48	48
Financiera Oh! S.A.	1,376	755
Makro Supermayorista S.A.	2	2
Other	384	709
Total	13,352	18,672

Notes to the interim consolidated financial statements (continued)

	As of September 30, 2023	As of December 31, 2022
	S/(000)	S/(000)
Payables		
Homecenters Peruanos S.A.	7	5
Plaza Vea Oriente S.A.C.	49	18
Financiera Oh! S.A.	7,914	3,286
Agora Servicios Digitales S.A.C.	5,452	4,132
Homecenters Oriente S.A.C.	6	2
Real Plaza S.R.L.	275	125
Operadora de Servicios Logísticos SAC	198	0
Inmobiliaria Puerta del Sol S.A.	143	14
Makro Supermayorista S.A.	4	4
Supermercados Peruanos S.A.	1,319	5,016
IR Management S.R.L.	1,549	1,569
InRetail Consumer (c)	1,349,942	1,367,276
Interproperties Perú	730	367
InDigital XP S.A.C.	976	1,479
Other	739	405
Total	1,369,303	1,383,698
Remunerations payable to key management	-	-
Total	1,369,303	1,383,698
Current portion	20,680	30,157
Non-current portion	1,348,623	1,353,541
Total	1,369,303	1,383,698

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/1,093,536,000 as of September 30, 2023, (equivalent to S/1,100,160,000 as of December 31, 2022) 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\$2,401,000, equivalent to a total of approximately S/9,023,000 and S/2,290,000, respectively (US\$2,730,000 equivalent to S/10,395,000 as of December 31, 2022 and S/2,624,000).

During of nine-month period ended as of September 30, 2023 and 2022, an interest of S/35,741,000 and S/35,772,000 was accrued, which was recorded in the item "Financial expenses" of the consolidated statement of comprehensive income. Likewise, as of September 30, 2023, accumulated interest payable of S/1,319,000 (as of December 31, 2022 S/13,735,000) 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 September 30, 2023 and December 31, 2022, 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 September 30, 2023.
- (f) The compensation of key management personnel of the InRetail Pharma Group for the nine-month period ended September 30, 2023 and 2022, is detailed below:

	2023	2022
	S/(000)	S/(000)
Short term employee benefits	18,622	25,816
Insurance and medical benefits	355	95
Employment benefits for contract termination	<u>1,031</u>	<u>3,596</u>
Total	<u>20,008</u>	<u>29,507</u>

- (g) As of September 30, 2023 and December 31, 2022, the InRetail Pharma Group maintains the following balances in the cash and cash equivalent items:

	2023	2022
	S/(000)	S/(000)
Banco Internacional del Peru – Interbank S.A.A.	39,029	53,899
Inteligo Bank Ltd.	6,398	52,426

Notes to the interim consolidated financial statements (continued)

20. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the nine-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, 2022	15,839,379	270	15,839,379
Number as of September 30, 2022	15,839,379		15,839,379
Number as of January 1, 2023	15,839,379	270	15,839,379
Number as of September 30, 2023	15,839,379		15,839,379
	For the nine-months period ended September 30, 2023		
	Net income (numerator)	Shares (denominator)	Earnings per share
	S/		S/
Basic and diluted earnings per share	398,430,000	15,839,379	25.154
	For the nine-months period ended September 30, 2022		
	Net income (numerator)	Shares (denominator)	Earnings per share
	S/		S/
Basic and diluted earnings per share	290,524,000	15,839,379	18.342

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 September 30, 2023, the Company and its Subsidiaries agreed with several financial entities on the issuance of solidary and irrevocable letters of guarantee for approximately S/45,424,000, US\$4,736,000, and B\$206,000 (S/42,837,000, US\$4,288,000 and B\$277,000 as of December 31, 2022), respectively, to comply with the payment of goods purchased to foreign suppliers.

Contingencies

- (a) InRetail Pharma S.A., Química Suiza S.A.C., Mifarma S.A.C., Jorsa de la Selva S.A.C., Vantive Ltda., 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/64,727,000 as of September 30, 2023 (S/70,058,000 as of December 31, 2022). 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/17,942,000. 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 September 30, 2023 and December 31, 2022. In July 2021, the tax court issued an unfavorable resolution to the Company for which a payment of S/17,942,000 has been made and recognized an expense of S/9,636,000, 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 September 30, 2023 and December 31, 2022, and for the nine-month period ended September 30, 2023 and 2022, 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 nine-month period ended September 30, 2023 and 2022

	Pharmacies S/(000)	Distribution S/(000)	Total segments S/(000)	Holding accounts, consolidation adjustments and intercompany eliminations S/(000)	Consolidated S/(000)
For the nine-month period ended September 30, 2023					
Revenue					
External income	4,805,604	1,834,044	6,639,648	-	6,639,648
Inter-segment	70,452	464,971	535,423	(535,423)	-
Total revenue	4,876,056	2,299,015	7,175,071	(535,423)	6,639,648
Cost of sales	(2,961,197)	(1,584,230)	(4,545,427)	-	(4,545,427)
Inter-segment	(66,432)	(461,893)	(528,325)	528,325	-
Gross profit	1,848,427	252,892	2,101,319	(7,098)	2,094,221
Selling expenses	(1,017,900)	(131,722)	(1,149,622)	(4,967)	(1,154,589)
Administrative expenses	(195,228)	(44,431)	(239,659)	1,447	(238,212)
Other operating income, net	4,828	1,561	6,389	-	6,389
Operating profit	640,127	78,300	718,427	(10,618)	707,809
Exchange difference, net	9,311	(108)	9,203	-	9,203
Financial income	27,046	1,289	28,335	(16,135)	12,200
Financial expenses	(132,089)	(12,386)	(144,475)	1,724	(142,751)
Profit before income tax	544,395	67,095	611,490	(25,029)	586,461
Income tax expense	(167,256)	(21,743)	(188,999)	968	(188,031)
Profit for the year	377,139	45,352	422,491	(24,061)	398,430

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 nine-month period ended September 30, 2022					
Revenue					
External income	4,632,453	1,706,890	6,339,343	-	6,339,343
Inter-segment	52,707	461,097	513,804	(513,804)	-
Total revenue	4,685,160	2,167,987	6,853,147	(513,804)	6,339,343
Cost of sales					
Cost of sales	(2,951,527)	(1,455,632)	(4,407,159)	-	(4,407,159)
Inter-segment	(35,552)	(463,526)	(499,078)	499,078	-
Gross profit	1,698,081	248,829	1,946,910	(14,726)	1,932,184
Selling expenses	(1,005,408)	(137,422)	(1,142,830)	(14,057)	(1,156,887)
Administrative expenses	(178,475)	(51,543)	(230,018)	848	(229,170)
Other operating income, net	15,001	2,447	17,448	-	17,448
Operating profit	529,199	62,311	591,510	(27,935)	563,575
Exchange difference, net	9,223	2,091	11,314	71	11,385
Financial income	7,864	1,400	9,264	(279)	8,985
Finance expenses	(139,459)	(13,431)	(152,890)	345	(152,545)
Profit before income tax	406,827	52,371	459,198	(27,798)	431,400
Income tax expense	(129,118)	(19,521)	(148,639)	7,763	(140,876)
Profit for the year	277,709	32,850	310,559	(20,035)	290,524

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

Geographic information-

As of September 30, 2023 and December 31, 2022, 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 nine-month period ended September 30, 2023 and 2022. 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 September 30, 2023 the end of period exchange rates in the market for transactions in US Dollars were S/3.790 per US\$1.00 bid and S/3.797 per US\$ 1.00 ask, in Swiss Franc were S/4.161 per Fr1.00 bid and S/4.198 per Fr1.00 ask, in Euro were S/3.829 per €1.00 bid and S/4.195 per €1.00 ask, (S/3.808 and S/3.820 per US\$1.00 for bid and ask as of December 31, 2022).

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 September 30, 2023 and December 31, 2022, the end of period exchange rate at the market for transactions of the different currency in relation to the Sol are as following:

Exchange rate per Soles	2023	2022
U. S. Dollars (US\$)	0.263	0.262
Bolivian Peso (B\$)	1.833	1.822
Swiss franc (Fr)	0.238	-
Euro (€)	0.238	-

Notes to the interim consolidated financial statements (continued)

As of September 30, 2023 and December 31, 2022, the InRetail Pharma Group held the following foreign currency assets and liabilities:

	As of September 30, 2023				As of December 31,	
	US\$(000)	b\$(000)	€(000)	Fr(000)	US\$(000)	b\$(000)
Assets						
Cash and short-term deposits	11,457	17,215	-	-	29,914	9,075
Investments at fair value through equity	25,631	-	-	-	25,863	-
Trade receivables, net	70,539	31,795	-	-	73,764	21,867
Other accounts receivables, net	7,675	3,796	-	-	15,463	4,688
Accounts receivable from related parties	38	-	-	-	39	-
Total assets	115,340	52,806	-	-	145,043	35,630
Liabilities						
Trade payables	(112,052)	(9,811)	(3,289)	(580)	(121,089)	(10,254)
Other payables	(6,994)	(6,890)	-	-	(6,728)	(5,450)
Accounts payable to related parties	(288,297)	-	-	-	(290,701)	-
Lease liability	(93,130)	(3,086)	-	-	(96,983)	(288)
Interest - bearing loans and borrowings	(14,520)	-	-	-	(13,028)	-
Total Liabilities	(514,993)	(19,787)	(3,289)	(580)	(528,529)	(15,992)
Hedge amount	288,000	-	-	-	288,000	-
Net (liability) assets position	(111,653)	33,019	(3,289)	(580)	(95,486)	19,638

As of September 30, 2023 and December 31, 2022, 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 September 30, 2023 and December 31, 2022, 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 nine-month period ended as of September 30, 2023 and 2022, InRetail Pharma has incurred in the following results for exchange difference:

	2023 S/(000)	2022 S/(000)
Exchange difference generated by hedged assets and liabilities	6,624	4,032
Compensation of exchange difference for hedging derivative	(6,624)	(4,032)
Exchange difference generated by unhedged assets and liabilities	9,203	11,385
Net profit	9,203	11,385

25. Subsequent event

From October 1, 2023, to the date of presentation of this report, no significant event has occurred that affects the financial statements, in addition to what is reported in the notes to the consolidated financial statements.

26. Additional explanation for English translation

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