

Translation from the Russian original

**INDEPENDENT AUDITOR'S REPORT**

Financial Statements of AO Ranbaxy  
for the year ended 31 December 2017



Tel: +7 495 797 56 65  
Fax: +7 495 797 56 60  
reception@bdo.ru  
www.bdo.ru

BDO Unicon AO  
Section 11, Build. 1,  
125, Warshavskoe shosse,  
Moscow, 117587, Russia

Translation from the Russian original

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AO Ranbaxy

### Qualified Opinion

We have audited the financial statements of AO Ranbaxy (the Company) (OGRN 1047796353846, 119, building 537/2, Prospekt Mira, Moscow, 129223), which comprise the balance sheet as at 31 December 2017, and the statement of income for the year ended 31 December 2017, supplements to the balance sheet and the statement of income, including: statement of changes in equity for the year ended 31 December 2017 and statement of cash flows for the year ended 31 December 2017, and explanatory notes to the financial statements for the year ended 31 December 2017.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of AO Ranbaxy as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Russian Accounting and Financial Reporting Rules.

### Basis for Qualified Opinion

As a result of an incorrect recognition of the bonuses and awards, granted by the Company to buyers for achieving of certain volumes of regular purchases and early payment of goods, as other expenses, the lines "Revenue" and "Other expenses" of the income statement for 2017 are overestimated by 407,392 kRUR, the appropriate lines of the income statement for 2016 are overestimated by 303,881 kRUR, without any impact on tax calculations.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

General Director (management) is responsible for the preparation and fair presentation of the financial statements in accordance with the Russian Accounting and Financial Reporting Rules, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Signed by:

The engagement partner on the audit resulting  
in this independent auditor's report is

Maxim Aksenov

Audit company:

BDO Unicon Aktsionernoe Obshchestvo

Main State Registration Number: 1037739271701

11/1, 125 Warshavskoye Shosse, Moscow, 117587, Russia

Member of the Self-regulated organization of auditors "Russian Union of auditors" (Association)

Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations:  
11603059593

March 26, 2018

**Balance Sheet**  
as at 31 December 2017

Entity	<u>Closed Joint Stock Company RANBAXY</u>	OKUD form	Codes		
Taxpayer identification number		Date (day, month, year)	31	12	2017
Type of economic activity	<u>Wholesaling of pharmaceutical and medical products</u>	OKPO	72983356		
Organizational legal form / form of ownership	<u>Closed Joint Stock Company / Private ownership</u>	INN	7720508094		
Measurement unit:	thousand Rubles	OKVED	51.46.1		
Location:		OKOPF / OKFS	67	16	
		OKEI	384		
	<u>119 Prospekt Mira, bldg. 537/2, Moscow, 129223, Russia/7/2</u>				

Notes	Item	Code	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
	<b>ASSETS</b>				
	<b>I. NON-CURRENT ASSETS</b>				
	Intangible assets	1110	18 140	7 233	1 318
	Research and development results	1120	-	-	-
	Intangible development assets	1130	-	-	-
	Tangible development assets	1140	-	-	-
	Fixed assets	1150	7 996	19 125	32 687
	Income yielding investments into tangible assets	1160	-	-	-
	Financial investments	1170	-	-	-
	Deferred tax assets	1180	13 540	16 202	8087
	Other non-current assets	1190	-	-	-
	Total for Section I	1100	39 676	42 560	42 092
	<b>II. CURRENT ASSETS</b>				
	Inventories	1210	945 288	851 721	715 171
	Input VAT	1220	9 916	55	525
	Accounts receivable	1230	2 317 488	2 172 551	1 712 356
	Financial investments (excluding cash equivalents)	1240	200 000	412 333	425 000
	Cash and cash equivalents	1250	68 793	144 221	141 548
	including:				
	Cash on hand	12501	14	11	3
	Operating accounts	12502	68 438	144 154	138 276
	Foreign currency accounts	12503	341	56	3 269
	Other current assets	1260	1 481	1 597	954
	Total for Section II	1200	3 542 967	3 582 478	2 995 554
	<b>BALANCE</b>	1600	3 582 642	3 625 038	3 037 646

Notes	Item	Code	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
	<b>LIABILITIES</b>				
	<b>III. CAPITAL AND RESERVES</b>				
	Share capital (contributed capital, charter capital, contributions of partners)	1310	163 000	163 000	163 000
	Treasury shares	1320	-	-	-
	Revaluation of non-current assets	1340	-	-	-
	Additional capital (without revaluation)	1350	-	-	-
	Reserve capital	1360	750	750	750
	Retained earnings (uncovered loss)	1370	740 300	676 733	464 791
	Total for Section III	1300	904 050	840 483	628 541
	<b>IV. LONG-TERM LIABILITIES</b>				
	Borrowings	1410	-	-	-
	Deferred tax liabilities	1420	6 291	5 402	5 272
	Estimated liabilities	1430	-	-	-
	Other liabilities	1450	-	-	-
	Total for Section IV	1400	6 291	5 402	5 272
	<b>V. CURRENT LIABILITIES</b>				
	Borrowings	1510	399 904	431 788	508 213
	Accounts payable	1520	1 833 703	2 019 379	1 668 154
	Deferred income	1530	-	-	-
	Estimated liabilities	1540	438 694	327 987	227 466
	Other liabilities	1550	-	-	-
	Total for Section V	1500	2 672 302	2 779 153	2 403 833
	<b>BALANCE</b>	1700	3 582 642	3 625 038	3 037 646

Head

(signature)

Artur Valiev

(full Name)

March 26, 2018

**Profit and Loss Statement**  
for January - December 2017

		Form under OKUD	Codes		
		Date (day, month, year)	31	12	2017
Entity	<u>Closed Joint Stock Company RANBAXY</u>	OKPO	72983356		
Taxpayer identification number		INN	7720508094		
Type of economic activity	<u>Wholesaling of pharmaceutical and medical products</u>	OKVED	51.46.1		
Organizational legal form / form of ownership	<u>Closed Joint Stock Company / Private ownership</u>	OKOPF / OKFS	67	16	
Measurement unit:	thousand Rubles	OKEI	384		

Notes	Items	Code	January - December 2017	January - December 2016
	Revenue	2110	5 322 035	4 996 365
	Cost of sales	2120	(3 074 353)	(3 065 092)
	Gross profit (loss)	2100	2 247 682	1 931 273
	Business expenses	2210	(1 582 211)	(1 385 383)
	Management expenses	2220	-	-
	Profit (loss) on sales	2200	665 471	545 890
	Income from participation in other entities	2310	-	-
	Interest receivable	2320	17 593	33 763
	Interest payable	2330	(15 727)	(15 438)
	Other income	2340	129 520	188 504
	Other expenses	2350	(666 303)	(454 397)
	Profit (loss) before taxes	2300	130 554	298 321
	Current income tax	2410	(63 454)	(94 363)
	including permanent tax liabilities (assets) (активы)	2421	(40 891)	(26 713)
	Change in deferred tax liabilities	2430	(890)	(129)
	Change in deferred tax assets	2450	(2 662)	8 115
	Other	2460	(1)	(1)
	Net profit (loss)	2400	63 547	211 943

Notes	Item	Code	January - December 2017	January - December 2016
	Revaluation of non-current assets not included in net profit (loss) for the period	2510	-	-
	Result of other operations not included in net profit (loss) for the period	2520	-	-
	Total financial result for the period	2500	63 547	211 943
	<b>FOR REFERENCE ONLY</b>			
	Basic earnings (loss) per share	2900	-	-
	Diluted earnings (loss) per share	2910	-	-

Head \_\_\_\_\_  
(signature)

**Artur Valiev** \_\_\_\_\_  
(full Name)

March 26, 2018 \_\_\_\_\_

**Statement of Changes in Equity**  
for January - December 2017

Form under OKUD		Codes	
07	10003	07	10003
Date (day, month, year)		31	12
		2017	
OKPO		72983356	
INN		7720508094	
OKVED		51.46.1	
OKOPF / OKFS		67	16
OKEI		384	

Entity Closed Joint Stock Company RANBAXY  
 Taxpayer identification number \_\_\_\_\_  
 Type of economic activity Wholesaling of pharmaceutical and medical products  
 Organizational legal form / form of ownership \_\_\_\_\_  
 Closed Joint Stock Company / Private ownership \_\_\_\_\_  
 Measurement unit: \_\_\_\_\_ thousand Rubles

**1. Changes in Equity**

Item	Code	Share capital	Treasury shares	Additional Capital	Reserve capital	Retained earnings (uncovered loss)	Total
Equity as at 31 December 2015	3100	163 000	-	-	750	464 791	628 541
For 2016	3210	-	-	-	-	211 943	211 943
Total increase in equity:							
including:							
net profit	3211	X	X	X	X	211 943	211 943
revaluation of assets	3212	X	X	X	X	-	-
gains taken directly to equity	3213	X	X	X	X	-	-
additional issue of shares	3214	-	-	-	-	X	X
increase in par value of shares	3215	-	-	-	X	-	X
reorganization of the legal entity	3216	-	-	-	-	-	-

Item	Code	Share capital	Treasury shares	Additional Capital	Reserve capital	Retained earnings (uncovered loss)	Total
Total decrease in equity:	3220	-	-	-	-	-	-
including:							
loss	3221	X	X	X	X	-	-
revaluation of assets	3222	X	X	-	X	-	-
expenses directly charged to equity	3223	X	X	-	X	-	-
reduction in par value of shares	3224	-	-	-	X	-	-
reduction in number of shares	3225	-	-	-	X	-	-
reorganization of the legal entity	3226	-	-	-	-	-	-
dividends	3227	X	X	X	X	-	-
Change in additional capital	3230	X	X	-	-	-	X
Change in reserve capital	3240	X	X	X	-	-	X
Equity as at 31 December 2016	3200	163 000	-	-	750	676 733	840 483
For 2017							
Total increase in equity:	3310	-	-	-	-	63 566	63 566
including:							
net profit	3311	X	X	X	X	63 566	63 566
revaluation of assets	3312	X	X	-	X	-	-
gains taken directly to capital	3313	X	X	-	X	-	-
additional issue of shares	3314	-	-	-	X	X	-
increase in par value of shares	3315	-	-	-	X	-	X
reorganization of the legal entity	3316	-	-	-	-	-	-
Total decrease in equity:	3320	-	-	-	-	-	-
including:							
loss	3321	X	X	X	X	-	-
revaluation of assets	3322	X	X	-	X	-	-
expenses directly charged to equity	3323	X	X	-	X	-	-
reduction in par value of shares	3324	-	-	-	X	-	-
reduction in number of shares	3325	-	-	-	X	-	-
reorganization of the legal entity	3326	-	-	-	-	-	-
dividends	3327	X	X	X	X	-	-
Change in additional capital	3330	X	X	-	-	-	X
Change in reserve capital	3340	X	X	X	-	-	X
Equity as at 31 December 2017	3300	163 000	-	-	750	740 300	904 050

## 2. Adjustments related to changes in accounting policies and correction of errors

Item	Code	As at 31 December 2015	Changes in equity in 2016		As at 31 December 2016
			due to net profit (loss)	due to other factors	
<b>Total capital</b>					
before adjustments	3400	628 541	211 943	(1)	840 483
adjustments arising from changes in accounting policies	3410	-	-	-	-
correction of errors	3420	-	-	-	-
after adjustments	3500	628 541	211 943	(1)	840 483
including:					
retained earnings (uncovered loss):					
before adjustments	3401	464 791	211 943	(1)	676 733
adjustments arising from:					
changes in accounting policies	3411	-	-	-	-
correction of errors	3421	-	-	-	-
after adjustments	3501	464 791	211 943	(1)	676 733
before adjustments	3402	-	-	-	-
adjustments arising from:					
changes in accounting policies	3412	-	-	-	-
correction of errors	3422	-	-	-	-
after adjustments	3502	-	-	-	-

**3. Net assets**

Item	Code	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
Net assets	3600	904 050	840 483	628 540

Head \_\_\_\_\_  
(signature)

Head Artur Valiev  
(full Name)

\_\_\_\_\_ March 26, 2018

**Statement of Cash Flows**  
for January - December 2017

Entity Closed Joint Stock Company RANBAXY  
Taxpayer identification number \_\_\_\_\_  
Type of economic activity Wholesaling of pharmaceutical and medical products  
Organizational legal form / form of ownership  
Closed Joint Stock Company / Private ownership  
Measurement unit: thousand Rubles

Form under OKUD  
Date (day, month, year)

Codes		
0710004		
31	12	2017
OKPO 72983356		
INN 7720508094		
OKVED 51.46.1		
67	16	
OKOPF / OKFS OKEI 384		

Item	Code	January - December 2017	January - December 2016
<b>Cash flows from operating activities</b>			
Total receipts	4110	4 781 909	4 474 352
including:			
sales of products, goods, works and services	4111	4 695 665	4 423 867
lease payments, license fees, royalties, commissions, fees and resale of investments	4112 4113 4114		- - -
other receipts	4119	86 244	50 485
Total payments	4120	(5 093 472)	(4 498 858)
including:			
to suppliers (contractors) for materials, supplies, works and services	4121	(3 849 599)	(3 323 478)
employee compensation	4122	(686 759)	(613 317)
interest on debt obligations	4123	(25 366)	(5 790)
corporate income tax	4124	(88 850)	(152 628)
other payments	4125 4129		- (403 645)
Net cash flow from operating activities	4100	(311 563)	(24 506)
<b>Cash flows from investing activities</b>			
Total receipts	4210	238 150	176 801
including			
sales of non-current assets (excluding financial investments)	4211	5 295	3 409
sale of other shares (interests) in other entities	4212		-
loans repayments, sale of debt securities (monetary claims against other persons)	4213	212 410	150 000
dividends, interest on financial debt investments and similar receipts from equity participation in other organizations	4214	19 522	23 392
other receipts	4215 4219		- 923
Total payments	4220	(1 011)	(149 169)
including:			
acquisition, creation, modernization, reconstruction and preparation of non-current assets for use	4221	(1 011)	(10 802)
acquisition of shares (interests) in other entities	4222		-
acquisition of debt securities (monetary claims against other persons), disbursement of loans	4223		(137 333)
acquisition of debt securities (monetary claims against other persons), disbursement of loans acquisition of debt	4224		-
other payments	4225 4229		- (1 034)
Net cash flow from investing activities	4200	237 139	27 632

Item	Code	January - December 2017	January - December 2016
<b>Cash flows from financing activities</b>			
Total receipts	4310		
including:			
credit and loan proceeds	4311		-
cash deposits of owners (members)	4312		-
issue of shares, increase in participatory interests	4313		
issue of bonds, bills and other debt securities, etc.	4314		-
	4315		-
other receipts	4319		-
Total payments	4320		-
including			
to owners (members) in connection with repurchase of shares (interests) from them or termination or their participation	4321		-
payment of dividends and other profit distributions to owners (members)	4322		-
in connection with redemption (repurchase) of bills and other debt securities, credit and loan repayments	4323		-
	4324		-
other payments	4329		
Financial operations cash flow balance	4300		
<b>Net cash flow for the reporting period</b>	4400	(74 424)	3 126
<b>Balance of cash and cash equivalents as at beginning of the reporting period</b>	4450	144 221	141 548
<b>Balance of cash and cash equivalents as at end of the reporting period</b>	4500	68 793	144 221
Effect of changes in foreign exchange rates against the ruble	4490	(1 004)	(453)

Head \_\_\_\_\_  
(signature)

**Artur Valiev** \_\_\_\_\_  
(full Name)

March 26, 2018 \_\_\_\_\_

## Calculation of the Net Asset Value

Closed Joint Stock Company Ranbaxy  
(name of the organization)

Item	Balance sheet line code	As at December 31, 2017	As at December 31, 2016	As at December 31, 2015
<b>Assets</b>				
Intangible assets	1110	18 140	7 233	1 318
Results of research and development	1120	-	-	-
Intangible development assets	1130	-	-	-
Tangible development assets	1140	-	-	-
Fixed assets	1150	7 996	19 125	32 687
Income-bearing investments into tangible assets	1160	-	-	-
Financial investments (long-term)	1170	-	-	-
Deferred tax assets	1180	13 540	16 202	8 087
Other non-current assets	1190	-	-	-
Inventories	1210	945 288	851 721	715 172
Input value added tax	1220	9 916	55	525
Receivables*	1230	2 317 488	2 172 551	1 712 356
Financial investments (short-term)	1240	200 000	412 333	425 000
Cash and cash equivalents	1250	68 793	144 221	141 547
Other current assets	1260	1 481	1 597	954
<b>TOTAL ASSETS</b>	-	<b>3 582 642</b>	<b>3 625 038</b>	<b>3 037 646</b>
<b>Liabilities</b>				
Borrowings (long-term)	1410	-	-	-
Deferred tax liabilities	1420	6 291	5 402	5 272
Estimated liabilities (long-term)	1430	-	-	-
Other liabilities (long-term)	1450	-	-	-
Borrowings (short-term)	1510	399 904	431 788	508 213
Accounts payable	1520	1 833 703	2 019 379	1 668 154
Estimated liabilities (short-term)	1540	438 694	327 987	227 466
Other liabilities (short-term)	1550	-	-	-
<b>Total liabilities</b>	-	<b>2 678 593</b>	<b>2 784 555</b>	<b>2 409 106</b>
<b>Net asset value</b>	-	<b>904 050</b>	<b>840 483</b>	<b>628 540</b>

\* Excluding the outstanding contributions to the authorized capital from members (founders).

## *Notes*

### *to the accounting (financial) statements of AO Ranbaxy for 2017.*

#### *1. Information about the Company*

*1.1. Full name of the Company:* Joint Stock Company "Ranbaxy"

*1.2. Registered address:* 119 Prospekt Mira, bldg. 537/2, Moscow, 129223, Russian Federation

*1.3. Actual address:* 119 Prospekt Mira, bldg. 537/2, Moscow, 129223, Russian Federation

*1.4. Date of state registration:* May 20, 2004; Primary State Registration Number: 1047796353846.

*1.5. Authorized capital* of the Company makes up 163,000,000 rubles. Shareholder structure: Ranbaxy (Netherlands) B.V., registered with the Chamber of Commerce and Industry of Amsterdam under No. 33254757: 99 percent of the authorized capital; Ranbaxy Holdings (UK) Ltd., registered at Company House of England and Wales under No. 3062051: 1 percent of the authorized capital. Shares in the authorized capital are fully paid. Quantity of placed securities: 163,000. The par value of each security is 1,000 rubles.

The ultimate beneficiary of the company is Sun Pharmaceutical Industries Limited, which is based in Mumbai, India. Sun Pharmaceutical Industries Limited is traded on Bombay Stock Exchange (BSE Limited) and National Stock Exchange of India Limited. Sun Pharmaceutical Industries is one of the world's largest manufacturers and retailers of pharmaceutical products.

*1.6. The Company has no subsidiaries or affiliates.*

*1.7. Information about standalone subdivisions.*

- On December 19, 2008, a standalone subdivision "Warehouse for wholesaling medicinal products" was established and registered at its location (address: 2, let. B, B2 Dachnaya Street, Village of Davydovskoye, Luchinskoye Rural Settlement, Istra District, Moscow Region, 143521, Russian Federation) with Inspectorate of the Federal Tax Service of Russia for the town of Istra, Moscow Region.  
On April 14, 2014, the location of the subdivision was changed (new address: 244 Village of Leshkovo, Istra District, Moscow Region, Russian Federation).
- On May 7, 2009, a standalone subdivision was established and registered at its location (address: 12 B Tambovskaya Street, St. Petersburg, 192007, Russian Federation) with Interdistrict Inspectorate of the Federal Tax Service of Russia No. 27 in St. Petersburg.
- On September 15, 2009, a standalone subdivision was established and registered at its location (address: 44/17 Dekabristov Street, Yekaterinburg, Sverdlovsk Region, 620142, Russian Federation) with Inspectorate of the Federal Tax Service of Russia for Leninsky District of Yekaterinburg.

- On September 15, 2009, a standalone subdivision was established and registered at its location (address: 104/32 Pushkinskaya Street, office No. 9, Rostov-on-Don, Rostov Region, 344006, Russian Federation) with Interdistrict Inspectorate of the Federal Tax Service of Russia No. 25 in Rostov Region.
- On April 29, 2014, a standalone subdivision was established and registered at its location (address: 1 Uritskogo Street, Suite No. 2, Samara, Samara Region, 443030, Russian Federation) with Inspectorate of the Federal Tax Service of Russia in Zheleznodorozhny District of Samara.
- On April 29, 2014, a standalone subdivision was established and registered at its location (address: 45 Dekabristov Street, Omsk, Omsk Region, 644024, Russian Federation) with Inspectorate of the Federal Tax Service of Russia No. 2 in Central Administrative District of Omsk.
- On April 29, 2014, a standalone subdivision was established and registered at its location (address: 111 Uritskogo Street, Suite No. 3, Krasnoyarsk, Krasnoyarsk Territory, 660049, Russian Federation) with Inspectorate of the Federal Tax Service in Central District of Krasnoyarsk.

1.8. *The main business activity* of the Company is wholesaling of pharmaceutical products. License (current): FS-99-02-003803 issued on April 14, 2014. Location covered by license FS-99-02-003803: 244 Village of Leshkovo, Istra Iistrict, Moscow Region, Russian Federation.

1.9. The Company is subject to mandatory audit in accordance with the criteria set forth in Federal Law No. 307-FZ "On Auditing Activity" dated December 31, 2008, which was entrusted to BDO Unicon AO.

1.10. *Members of the Company's executive and control bodies:*

1. General Director: Arthur Valiev;
2. Financial Director: Vivek Kapur;
3. Chief Accountant: Ludmila Alekseevna Manuilova

## **2. Significant Accounting Policies.**

### *2.1. Accounting policy for bookkeeping purposes.*

The Company's accounting records are maintained in accordance with the accounting legislation of the Russian Federation. The Company's accounting statements have been prepared on the basis of the current accounting and reporting rules of the Russian Federation.

2.1.1. Accounting is done by the Company's Accounting Department, which is a separate structural subdivision headed by the Chief Accountant.

2.1.2. In accounting, income is determined in accordance with the Accounting Regulations "Income of Organizations" PBU 9/99 approved by Order of the Russian Ministry of Finance No. 32n. dated May 6, 1999. Sales are recorded in the accounts as follows:

- ordinary income is recorded in account 90.1.1 "Sales" when the products are shipped (transferred to the buyer) and payment documents for the shipped goods are passed to the buyer, taking

into account the time of transfer of ownership. Ordinary income is income from activities that generate revenues accounting for more than 5 percent of total sales;

- remuneration under commission, engagement and agency agreements is recorded when the report of the commission agent (nominee, agent) on sales of goods, works and services is approved by the principal.

Sales proceeds derived from activities that are subject to value added tax at different rates or are exempt from value added tax are recorded in subaccounts of account 90.1.1 "Sales".

2.1.3. In accounting, expenses are determined in accordance with the Accounting Regulations "Expenses of Organizations" PBU 10/99. Expenses are recorded in the accounting records regardless of whether there is an intention to generate revenue or other income and the form of expenses (cash, in kind, or other). Expenses are recognized in the reporting period in which they were incurred, irrespective of when cash is paid.

2.1.4. Useful lives of fixed assets are determined based on the Classification of fixed assets included in depreciation groups approved by Resolution of the Russian Government No. 1 dated January 1, 2002. For new fixed assets the following depreciation periods are established:

Furniture	61 months
Office equipment	37 months
Computer equipment	35 months
Motor vehicles	60 months

2.1.5. Fixed assets are depreciated using the straight-line method.

2.1.6. Low-value fixed assets with a cost not exceeding 40,000 rubles, as well as books, brochures and other publications are expensed as they are released for use.

2.1.7. Annual revaluation of fixed assets is not performed.

2.1.8. Deferred expenses posted to account 97 are classified in the accounting statements as follows:  
as advances made:

- insurance expenses;
- passes;
- advertising.

as other current assets:

- licensing expenses;
- expenses on purchase of computer software and databases;
- certification expenses;
- fixed assets repair expenses;
- expenses on customs services;
- permits to employ foreign nationals.

2.1.9. Goods and materials are written off on FIFO basis.

2.1.10. Provisions for doubtful debts are made with due regard for expediency and in accordance with the accounting regulations.

2.1.11. A provision for impairment of inventories is made at the end of the year taking into account the remaining shelf life. The amount of the provision is calculated on a monthly basis. Stock balance is determined at the end of the quarter and written down to market value. For goods with a remaining shelf life of no more than 6 months, the provision is made at 100 percent. In addition, goods are measured on other factors in accordance with PBU 5/01.

2.1.12. The Company makes provisions for estimated liabilities in accordance with PBU 8/2010.

2.1.13. The Company applies PBU 18/02. Accrual ledgers are created using 1C: Manufacturing Enterprise Management.

2.1.14. In accordance with the prescribed marketing policy, buyers benefit from awards (bonuses) and discounts.

2.1.15. Short-term deposits with banks for up to 3 months are reported in the accounting statements as financial investments.

## 2.2. Accounting policy for tax purposes.

2.2.1. The Company determines its VAT tax base as products are shipped.

2.2.2. The Company uses the accrual method of income and expense recognition when calculating corporate income tax.

2.2.3. Purchased goods whose costs are deducted from sales proceeds are valued using the FIFO method. Materials are written off on FIFO basis.

2.2.4. Useful lives of fixed assets are determined based of the Classification of fixed assets included in depreciation groups approved by Resolution of the Russian Government No. 1 dated January 1, 2002. The period of use of acquired second-hand fixed assets is determined taking into account the period of actual use by the previous owners.

2.2.5. Depreciable assets are depreciated using the straight-line method.

2.2.6. Depreciable assets include assets with an original cost of more than RUB 100 000 and a useful life of more than 12 months. Assets with a cost of less than RUB 100 000 are recorded within material expenses and are expensed in the manner prescribed for indirect costs (as a lump sum). Low-value assets written off are kept off-balance sheet until they are actually disposed of.

2.2.7. The Company creates a provision for vacation pay, a provision for payment of bonuses to employees based on annual performance, and a provision for doubtful debts for tax purposes.

2.2.8. The Company creates tax accounting ledgers using specialized accounting software 1C: Manufacturing Enterprise Management.

### **The effect of correcting mistakes of past years**

The amounts of other income and other expenses for 2016 were adjusted for the amount of overstatement of the creation and disposal (restoration) of the provision for impairment of inventories.

The line of the report on	Amount of turnover for 2016	Adjustment amount	The turnover for 2016 after
---------------------------	-----------------------------	-------------------	-----------------------------

financial results of financial statements	before adjustment, thousand rubles.		adjustment
2340 «Other income»	416 054	(227 550)	188 504
2350 «Other expenses»	(681 947)	227 550	(454 397)

### 3. Financial and Economic Activities of the Company.

#### 3.1. Description of the Company's activities during the reporting year.

3.1.1. In 2017, revenues from sales of goods within operating activities totaled RUB 5 322 035 thousand (excluding VAT), which makes up 99.93 percent of total sales; other income from sales of fixed assets amounted to RUB 5 407 thousand (excluding VAT), which accounts for 0,1 percent of total sales. Gross operating profit was RUB 2 247 682 thousand.

In 2016, revenues from sales of goods within operating activities totaled RUB 4 996 365 thousand (excluding VAT); gross operating profit amounted to RUB 1 931 273 thousand.

The Company does not carry out any other types of activities.

3.1.2. In 2017, the Company generated RUB 665 471 thousand in profit from sales versus RUB 545 890 thousand in 2016 (up 22 percent).

The growth in profit is attributable to the following factors:

- an increase in revenues by RUB 325 670 thousand (or 6.5 percent);
- a decrease in the share of production cost in relation to revenue by 3,57 percent (57,77 percent in 2017 and 61,34 percent in 2016).

3.1.3. The structure of business expenses is as follows:

#### Structure of business expenses

	2017	2016	Change
Payroll and provisions	732 282	647 899	84 383
Allocations to funds	129 919	118 705	11 214
Advertising	281 298	211 558	69 740
Marketing	52 851	35 617	17 234
Processing of goods	33 182	40 468	(7 286)
Certification	14 144	11 803	2 341
Maintenance and repair of motor vehicles	49 323	50 582	(1 259)
Car lease	46 627	38 482	8 145
Insurance	55 756	39 142	16 614
Rent	22 675	22 540	135
Depreciation	15 526	18 325	(2 799)
Travel expenses	55 860	42 483	13 377
Hospitality expenses	1 864	1 516	348
Audit	3 643	3 949	(306)
Software products	7 728	6 119	1 609
Other material costs	5 865	7 342	(1 477)
Other expenses	73 667	88 852	(15 185)
<b>Total</b>	<b>1 582 211</b>	<b>1 385 383</b>	<b>196 828</b>

Payroll and provisions account for the largest share of the Company's business expenses (46,28 percent), with advertising expenses being another major contributor (17,78 percent); compared to the previous year, payroll increased while advertising expenses slightly decreased. Advertising was conducted via TV, radio, and public transport.

The Company increased its staffing in 2017. The average number of employees in 2017 was 439 versus 464 in 2016, representing a 5,38 percent decrease (by 25 persons).

#### 3.1.4. Structure of management costs:

##### Structure of management costs

	2017	2016	Изменение
Remuneration of labor and reserves	79 149	76 912	2 236
Deductions to funds	11 344	8 698	2 646
Maintenance and repair of motor vehicles	4 106	3 269	837
Car leasing	2 817	3 328	(511)
Insurance	2 116	1 985	131
Rent	15 396	14 948	448
Travel expenses	3 015	2 958	57
Hospitality expenses	400	726	(326)
<b>Итого</b>	<b>118 342</b>	<b>112 824</b>	<b>5 518</b>

3.1.5. The Company's accounts receivable from customers and buyers as at December 31, 2017 amounted to RUB 2 168 252 thousand.

Provision for doubtful receivables from customers and buyers, RUB'000

	At the beginning of the period	Creation of provision	Use of provision	Reversal of provision	At the end of the period
2017	8 495	118 209	-	(21 163)	105 541
2016	46 063	22 592	(29 935)	(30 225)	8 495

At the end of 2017, Company created a provision for doubtful debts for the following organizations:

- for accounts receivable from buyers:

- VTF LLC in the amount of RUB 73 104,67 (Seventy-three thousand one hundred and four point six sevenrubles).
- ZAO Genesis in the amount of RUB 7 742 610,83 (seven million seven hundred and forty-two thousand six hundred and ten point eight three).
- Regional State Unitary Enterprise "Primorsk Regional Pharmacy" in the amount of RUB 191 840,47 (one hundred and ninety-one thousand eight hundred and forty point four seven).
- Rosta JSC in the amount of RUB 97 533 226,09 (ninety-seven million five hundred and thirty-three thousand two hundred and twenty-six point zero nine rubles)

In 2012, in the proceedings in the Arbitration Court of St. Petersburg and Leningrad Region against ZAO Genesis. The proceedings are completed, a settlement agreement has been approved,

according to which AO "Ranbaxy" will receive RUB 7,764,525.34 from ZAO Genesis during the period from 2022 to 2026 (Ruling of the Arbitration Court of St. Petersburg and Leningrad Region dated February 21, 2012 in case No. A56-55543/2008). The ruling has entered into force.

October 2, 2013, the Arbitration Court of the Primorsky Territory, adopted the definition in case A51-9651 / 2013 AO "Ranbaxy" in the amount of 219 341.27 rubles. The competitive process will last until 13.06.2017. 12.12.2017 The Arbitration Court of the Primorsky Territory, adopted a decision on the completion of the bankruptcy proceedings.

09.29.2017 The Moscow Arbitration Court accepted the claim of AO "Ranbaxy" to CJSC ROSTA about recovery of debts in the amount of 97,770,778 rubles 30 copecks, interest for the use of funds in the amount of 9,777,077.8 rubles. (Case No. A40-176620 / 17-81-1670). It was considered on November 21, 2017, CJSC ROSTA filed an appeal, the date of consideration of the appeal was fixed on March 21, 2013.

Provision for doubtful receivables from suppliers (advances made), RUB'000

	At the beginning of the period	Creation of provision	Use of provision	Reversal of provision	At the end of the period
2017	1 048		-	-	1 048
2016	1 048	-	-	-	1 048

- for accounts receivable from suppliers:

- ZAO TK Novatorrus-Invest in the amount of RUB 1,048,078.94 (one million, forty-eight thousand, seventy-eight and 94/100 rubles).

On November 28, 2014, the Arbitration Court of Moscow issued a decision to recover the debt from ZAO TK Novatorrus-Invest in favor of AO Ranbaxy. Currently, the recovery is not possible due to insolvency of ZAO TK Novatorrus-Invest and the transfer of control to the liquidation commission. However, on January 23, 2015 TK ZAO Novatorrus-Invest was declared insolvent (bankrupt) by the Arbitration Court of Moscow. The claims of AO Ranbaxy in the amount of RUB 1,048,078.94 have been included in the register of creditors (ruling dated May 18, 2015 in case No. A40-175755/2014). The bankruptcy proceedings will last until July 31, 2017.

On July 31, 2017, the Arbitration Court of the city of Moscow decided to stop the proceedings in case No. A40-175755 / 14-174-272 on bankruptcy due to the lack of funds sufficient to reimburse the court expenses for conducting the procedures used in the bankruptcy case, including expenses for payment of remuneration to the arbitration administrator. As of the date of preparation of the financial statements, CJSC "TC" NOVATORRUS-INVEST "is not excluded from the register of legal entities and individuals (EGRUL).

The total provision for losses at the end of 2017 for accounting and tax purposes amounts to RUB 105 541 thousand. The provision made at the end of 2017 for accounting purposes amounts to RUB 1,048 thousand.

The Company's accounts payable to suppliers and contractors as at December 31, 2017 totaled RUB 1 812 401 thousand. Accounts payable to suppliers decreased significantly, by 7,94 percent (to RUB 156 246 thousand) compared to the previous year. In 2016, they amounted to RUB 1 968 636 thousand. The most decrease was in payables to main suppliers of pharmaceutical products due to an increase in purchases of goods at the end of the year.

The key suppliers of AO Ranbaxy in 2017 were SUN PHARMACEUTICAL INDUSTRIES LTD (formerly Ranbaxy Laboratories Limited (India) (takeover), Ranbaxy Therapy (Romania) and Sun Pharmaceutical Industries Ltd, with accounts payable to SUN PHARMACEUTICAL INDUSTRIES LTD (India) amounting to RUB 1 384 027 thousand (76,36 percent of total payables), to Ranbaxy Therapy – to RUB 419 082 thousand (23,12 percent of total payables), and to Sun Pharmaceutical Industries Ltd – no payable.).

3.1.6 In 2017, the Company repaid a short-term loan received in 2009 from San Pharma (Netherlands) BV. (until July 21, 2017, Ranbaxy (Netherlands) BV) in the amount of 1 000 000 US dollars.

In 2017, the Company paid interest of RUB 25 366 thousand on a short-term loan received in 2009 from Ranbaxy (Netherlands) and a long-term loan received in 2013 from Ranbaxy (Netherlands).

3.1.7. In 2017, the Company placed funds in short-term bank deposits. Total income from deposits amounted to RUB 8 927 thousand.

Interest accrued on bank balances amounted to RUB 4 431 thousand.

Interest, on loans granted, amounted to 4,234 thousand rubles.

At the end of 2017, the funds placed on short-term deposits with OAO Sberbank amounted to RUB 200 000 thousand with the maturity dates in January 2018.

3.1.8. Other income and expenses of the Company recorded in lines 2340 and 2350 of the Profit and Loss Statement for 2017 were as follows:

Description	Other income (RUB'000)	Other expenses (RUB'000)
Exchange differences	51 702	(29 849)
Provision for impairment of inventory	18 277	(78 550)
Provision for doubtful debts	21 163	(118 209)
Provision for returned goods	539	(491)
Destruction of pharmaceutical products		(6 772)
Awards to suppliers	28 286	
Bonuses to buyers		(407 392)
Insurance indemnity / expenses for insured events	2 212	
Write-off of accounts receivable / payable		(1)
Sales and write-offs of fixed assets	5 407	(2)
Taxes		(377)
Bank services		(1 938)
VAT expensed		
Other	1 934	(22 721)
Total	129 520	(666 303)

Other income and expenses of the Company recorded in lines 2340 and 2350 of the Profit and Loss Statement for 2016 were as follows:

Description	Other income (RUB'000)	Other expenses (RUB'000)
Exchange differences	152 182	(64 410)
Provision for impairment of inventory	66	(58 474)
Provision for doubtful debts	30 225	(22 592)
Provision for returned goods	208	(482)
Destruction of pharmaceutical products		(173)
Awards to suppliers		
Bonuses to buyers		(303 881)
Insurance indemnity / expenses for insured events	1 872	
Write-off of accounts receivable / payable		
Sales and write-offs of fixed assets	3 435	(756)
Taxes		(294)
Bank services		(1 053)
Write-off VAT on expenses		
Other	516	(2 282)
<b>Total</b>	<b>188 504</b>	<b>(454 397)</b>

3.1.9. According to the accounting data, in 2017 the Company earned a profit before tax of RUB 130 574 thousand; according to the tax accounting data, the Company received a profit of RUB 317 272 thousand.

The permanent differences totaled RUB 204 456 thousand in 2017, resulting in a permanent tax liability of RUB 40 891 thousand. The bulk of this amount consisted of non-deductible expenses: the provision for impairment of goods amounted to RUB 60 273 thousand, medical insurance of employees' family members amounted, estimated liabilities (including vacation reserves, staff bonuses & bounties and other forthcoming payments).

Deferred tax assets in 2017 amounted to RUB 2 662 thousand. This amount basically composed by time deductible difference on bounties and retro bonuses granted to customers, increasing the accounting of estimated liabilities. Relevant expenses will be fixed in the period of registration of purchase orders on bonuses in tax accounting

Deferred tax liabilities increased to RUB 890 thousand in 2017. A significant portion of deferred liabilities is comprised of the difference due to the fact that in accounting the customs duties and taxes are included in the cost of goods, while in tax accounting they are expensed as a lump sum amount.

In 2016, the Company got a profit before tax of RUB 133 564 thousand according to accounting records. According to tax accounting records, the Company received a profit of RUB 223 001 thousand. Provisional income tax expense amounted to RUB 26 713 thousand. The main differences are the expenses that are not accepted for tax accounting: the provision for depreciation of goods - 58,407 thousand rubles, medical insurance for employees and family members of employees - 17,364 thousand rubles, car maintenance - 5,383 thousand rubles, training of personnel - 9,425 thousand rubles, employee nutrition - 1,935 thousand rubles, estimated liabilities (including reserves for vacations,

bonuses and bonuses to employees and other forthcoming payments) - 32,805 thousand rubles, other expenses not taken in tax accounting - 8,245 thousand rubles, rubles.

Increasing of Deferred tax assets in 2016 amounted to RUB 8 115 thousand. This amount mainly consisted of temporary difference on amortization of intangible assets. The main amount is a temporary deductible difference in premiums and retro bonuses given to buyers, increasing in the accounting of estimated liabilities. In the tax accounting, the corresponding expenses will be reflected in the period of registration of the initial documents on premiums.

Deferred tax liabilities increased in 2016 by 129 thousand rubles. The main amount in this change is the difference due to the fact that in the accounting of the amount of customs duties and duties are taken into account in the value of goods, and in the tax account are written off at a time for the costs of the period.

3.1.10. The Company has not issued any guarantees to third parties.

#### 4. Social Indicators

Item No.	Indicator	2017	2016
1	Average number of employees	439	464
2	Accrued wages, compensation payments and provisions for vacation pay and payment of year end bonuses, RUB thousand	732 282	647 899
3	Amount of accrued contributions, RUB thousand	129 919	118 705

#### 5. Information about the Company's Equity (RUB'000)

Item No.	Indicator	2017	2016
1	Authorized capital	163 000	163 000
2	Reserve capital	750	750
3	Retained earnings	740 300	676 733

The Company has not paid any dividends and has not repurchased shares.

## 6. Reference Data

### 6.1. Calculation of the Company's net assets (RUB'000)

Item		Balance sheet line code	At the beginning of the reporting period	At the end of the reporting period
<b>I. Assets</b>				
1.	Intangible assets	1110	7 233	18 140
2.	Fixed assets	1150	19 125	7 996
3.	Other non-current assets	1190	-	-
4.	Income-bearing investments into tangible assets	1160	-	-
5.	Long-term and short-term financial investments	1170+1240	412 333	200 000
6.	Other non-current assets	1120+1130+1140+1180	16 202	13 540
7.	Inventories	1210	851 721	945 288
8.	Input VAT	1220	55	9 916
9.	Accounts receivable	1230	2 172 551	2 317 488
10.	Cash	1250	144 221	68 793
11.	Other current assets	1260	1 597	1 481
12.	<b>Total assets taken into account in the calculation (sum of items 1-11)</b>		3 625 038	3 582 642
<b>II. Liabilities</b>				
13.	Long-term liabilities under loans and credits	1410	0	0
14.	Other long-term liabilities	1420+1450	5 402	6 291
15.	Short-term liabilities under loans and credits	1510	431 788	399 904
16.	Accounts payable	1520	2 019 379	1 833 703
17.	Estimated liabilities	1540	327 987	438 694
18.	Other current liabilities	1550	-	-
19.	<b>Total liabilities taken into account in the calculation (sum of items 13-19)</b>		2 784 555	2 678 592
20.	<b>Net asset value of the company (total assets taken into account in the calculation (item 12) less total liabilities taken into account in the calculation (item 19))</b>		840 483	904 050

### 6.2. Information on the leased premises.

As at December 31, 2017, AO Ranbaxy did not have its own premises.

In 2017, lease contracts with the following organizations were in effect:

- **OOO SP Tekhnopark** for 1231,90 square meters (Moscow office).

Contract No. w / n of 04.08.16. Additional agreement as of 17.04.17 at 1231.90kv.m (monthly rent for 1231.90 sq.m. is 1 438 015,31 rubles including VAT). Term of the contract termination 31.07.2017.

Contract No. w / n of 09/06/17. at 1320 sq. m (monthly rent for 1320 sq. m. 1 540 855,80 rubles with VAT). Term of the contract is 30.06.2018.

- **OOO Inzhstroyservis** for 35.3 square meters (Yekaterinburg office).

The contract №3 from 01.02.2016 The monthly payment is 30 800,00 rub. without VAT. Term of the contract termination 31.12.2016..

- **Vakarina Florida Gazzalievna** (person) on 50.7 sq.m - an office in the city of Yekaterinburg  
Contract №01-2016 of 01.10.2016. The monthly fee is 35,000 rubles. Term of the contract termination 31.08.2017.  
Contract No. 01-2017 of 01/01/2017. The monthly fee is 35,000 rubles. Term of the termination of the contract 31.07.2018.
- **OOO Inform-Future** for 80.7 square meters. m - office in St. Petersburg.  
Contract No. 6 / н from 10.02.09. Additional agreement No. 5 of 01.01.17 (monthly payment in 2017 is 110,902.78 rubles including VAT).
- **LLC Inform-Future** for 3.7 square meters. m - utility room in St. Petersburg.  
The contract № 6 / н from 01.04.09. The additional agreement № 3 from 01.01.2017г. (monthly fee in 2017 is 3509.56 rubles including VAT).
- **ZAO Santance Service** for 568.2 sq. M - warehouse  
Contract No.CC-CA-03/14 of 01/02/2016. on 568, 2 sq.m. (monthly payment of 345,073.30 rubles including VAT). Contract for 11 months, auto-prolongation for the same period.
- **ZAO "SPTB"** for 29.3 square meters. office in Samara.  
Contract № 21 of 17.01.14g. Supplementary agreement No. 1 as of 06.12.2016 (monthly payment is 15 529.00 rubles without VAT). The contract is terminated on 25.07.2017.
- **"Market Style" LLC** for 31 sq. M. - Omsk office.  
Sublease agreement w / n from 01.10.2016 monthly fee 15345,00 rubles Term of the contract termination 30.09.2017. The contract is terminated on 13.09.2017.
- **Katayev VA PI** on 40 sq.m. - office of Krasnoyarsk.  
Rent of the lease from 19.12.15 (15 (monthly fee 40 000,00 rubles) Term of the contract termination 19.11.2016  
Rent of a lease from 20.11.16 (15 (monthly payment of 40 000,00 rubles) Term of the contract termination 20.10.2017
- **TD VDNH** - utility room in Moscow  
Mastiff. sublease of premises No. 1600/16/618/1 dated 08.12.16. monthly fee is 72217.32 rubles.  
Term of the contract termination 31.10.2017.
- **LLC Development Department** at 50.3 sq. M. - Novosibirsk city  
The lease of premises No. 20/08-2017 of August 28, monthly fee is 37725.00 rubles. Term of the contract termination is 27.07.2018.
- **IP Zueva I.V.** on 48.3 sq.m. - Krasnodar city  
The contract of rent of a premise №15 from 01.08.17г. monthly fee is 29000,00 rubles. Term of the contract termination 01.07.2018.

- **IP Geltser AB** on 26.1 sq.m. - city of Vladivostok  
The lease agreement for premises No. 23/17 dated April 26, monthly fee is 9500,00 rubles. Term of the contract is 30.04.2018.
- **IP Yarovoy V.V.** on 25.7 square meters. - city of Vladivostok  
The lease contract for premises No. BC 2-9 dated 01.10.17. monthly fee 25700,00 rubles. Term of the contract is 30.04.2018.
- **Union of Trade Union Organizations "Federation of Trade Unions of the Rostov Oblast"** for 42.24 sq.m. - Rostov-on-Don  
The lease agreement №09 / 17 dated 01.02.17. The monthly payment is 27456.00 rubles. Term of the contract termination 31.12.2017.
- **IP Zaydullina Gulchachak Mansurovna** at 42.3 square meters. - city of Kazan  
The contract of rent of a premise №01 from 01.07.17r. monthly fee of 25380,00 rubles. Term of the termination of the contract 01.06.2018.

### 6.3. Additional information about the goods rejection procedure.

Goods that are subject to write-off and destruction are identified according to the following criteria:

- expiration of shelf life;
- non-compliance with regulatory requirements;
- loss of marketability, etc.

The Company has entered into contracts for destruction of rejected goods with the following companies:  
OOO National Ecological Company: contract for pharmaceutical waste collection and disposal services No. N77-140/13 dated June 6, 2013 (License No. 076/00115 issued on March 22, 2013) with an automatic renewal clause.

### 6.4. Information about the Company's expenses on wages, vacation pay and payment of bonuses to employees.

Structure of the accrued amounts in favor of the Company's employees in 2017:

<b>Subdivision</b>	<b>2017, RUB'00 0</b>	<b>2017, %</b>	<b>2016, RUB'00 0</b>	<b>2016, %</b>
Head Office (Moscow)	572 043	81,07%	292 858	46,37%
Standalone subdivision in St. Petersburg for the North-West and Volga Region	23 167	3,28%	52 165	8,26%
Standalone subdivision in Rostov-on-Don	33 581	4,76%	84 855	13,43%
Standalone subdivision in Yekaterinburg	17 283	2,45%	46 733	7,40%
Standalone subdivision in Krasnoyarsk	18 921	2,68%	51 958	8,23%
Standalone subdivision in Omsk	14 590	2,07%	35 911	5,69%
Standalone subdivision in Samara	23 439	3,32%	64 443	10,20%
Standalone subdivision Warehouse for wholesaling medical products in Istra District	2 556	0,36%	2 679	0,42%

Total	705 581	100%	631 602	100%
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As at the end of 2017, the liabilities for payment of wages were discharged in full.

#### 6.5. Information about the Company's deferred expenses on vacation pay and bonus payments to employees

The employees' accrued and unused vacations as at December 31, 2017, including insurance contributions, made up RUB 46 585 thousand; bonuses based on 2017 results, including insurance contributions, were RUB 58 301 thousand.

In 2018 the Company plans to accrue and pay the following amounts (short-term remuneration) to the key management personnel: labor remuneration in the amount of RUB 73 954 thousand, paid annual leaves in the amount of RUB 7 949 thousand; annual bounties amounted to RUB 6 767 thousand

Long-term payments to key management personnel are not planned.

#### 6.6. Notes to the Balance Sheet

6.6.1. The receivables recorded in the balance sheet line 1230 are short-term and amount to RUB 2 317 488 thousand. There are no long-term receivables. When preparing the balance sheet, the Company additionally discloses receivables relating to settlements with accountable persons and other settlements with employees; for comparison purposes, the balance sheet shows settlements as at December 31, 2016 and December 31, 2017.

#### 6.6.2 Breakdown of accounts receivable (line 1230), RUB'000

Type	2017	2016
Settlements on advances issued	73 834	116 704
Settlements with buyers and customers	2 169 300	1 899 300
Settlements with the budget (PIT)	523	514
Settlements with the budget (VAT)	-	-
Settlements with the budget (advance income taxes)	8 639	73 404
Other taxes and levies	-	-
Payments to extra-budgetary funds	8 508	3 645
Settlements with employees on payment	18	-
Settlements with accountable persons	8 182	6 064
Settlements with employees on loans issued	6 712	9 159
Insurance settlements	-	-
Settlements of claims	37	37
Settlements with other debtors	41 735	63 724
<b>TOTAL</b>	<b>2 317 488</b>	<b>2 172 551</b>

#### 6.7. Notes to the Profit and Loss Statement

6.7.1. Information on the expenses on ordinary activities.

The expenses on ordinary activities (production cost and business expenses) reported in the Profit and Loss Statement for 2017 amount to RUB 4 656 564 thousand. The cost of goods sold is RUB 3 074 353 thousand. Business expenses amount to RUB 1 582 211 thousand.

#### 6.8. Notes to the Statement of Cash Flows

##### 6.8.1. Other proceeds from operating activities (line 4119), RUB'000

	2017	2016
Value added tax (balance)	-	-
Refund of taxes and levies from the budget	77 005	39 852
Refunds from customs authorities	-	-
Insurance indemnity	2 002	2 081
Other refunds	7 237	8 552
<b>TOTAL</b>	<b>86 244</b>	<b>50 485</b>

##### 6.8.2. Other payments within operating activities (line 4129), RUB'000

	2017	2016
Customs payments	100 986	101 492
Payment of taxes and contributions (other than income tax and VAT)	146 604	130 255
Payment for insurance	56 246	36 282
Advances to employees	44 349	44 464
Interest-free loans to employees	11 868	11 085
Payment of bonuses and return of goods by buyers	418	379
Value added tax (balance)	77 476	70 661
Other payments	4 951	146 732
<b>TOTAL</b>	<b>442 898</b>	<b>540 978</b>

In 2017 the Company applied the method of accounting for customs payments to report cash flows: payment of VAT to the customs is shown as a separate item of cash flows and reduces the VAT balance in the Statement of Cash Flows, which is recorded within other payments in line 4129.

#### 6.9. Other data

##### 6.9.1. Inspections by the Social Insurance Fund.

- June 16, 2016 was received from the Inspectorate of the Federal Tax Service of Russia No. 17 in Moscow. Decision on conducting a field tax audit No. 19-25 / 1-91 of 16.06.2016. for all taxes and fees, the audited period from 01/01/2013. to 31.12.2015.
- June 30, 2016 was received from the Inspectorate of the Federal Tax Service of Russia No. 17 in Moscow. Decision on suspension of the field tax audit No. 19-25 / IIP-91 of June 30, 2016.

- December 26, 2016 was received from the Inspectorate of the Federal Tax Service of Russia No. 17 in Moscow. Decision on the resumption of the field tax audit number 19-25 / ref-193 of December 26, 2016.
- February 15, 2017 was obtained from the Tax Inspection No. 17. Information on the conducted field tax audit No. 19-25 / C-976 dated February 15, 2017.
- On May 10, 2017, the Act of Tax Audit No. 19-25 / 2-1003 dated May 4, 2017 was received.
- On May 10, 2017, a Notice of the time and place of consideration of the materials of the tax audit No. 19-15 / 245 dated 04.05.2017 was received. the date of consideration is June 15, 2017.
- On June 14, 2017, the Notice of the time and place of consideration of the materials of the tax audit No. 19-15 / 245 was received on June 16, 2017.
- On June 13, 2017, an objection was filed to the Act of the tax audit No. 19-25 / 2-1003
- On June 16, 2017, the examination of the materials of the tax audit No. 19-15 / 245 was held, which was drawn up by Minutes No. 80 of June 16, 2017.
- On June 26, 2017, the Resolution of the Inspectorate of the Federal Tax Service of Russia No. 17 No. 19-25 / 3-98 of 26.06.2017 on bringing to responsibility for committing a tax offense was received.
- On July 24, 2017, the Department of the Federal Tax Service of Russia for Moscow filed an appeal against the decision of the Inspectorate of the Federal Tax Service of Russia No. 17 No. 19-25 / 3-98 of June 26, 2017.
- On August 28, 2017, the Resolution of the Inspectorate of the Federal Tax Service of Russia No. 17 No. 19-25 / 3-98 / I was received on the introduction of changes to the Resolution of the Inspectorate of the Federal Tax Service of Russia No. 17 No. 19-25 / 3-98 of 26.06.2017.
- August 28, 2017, the decision of the Office of the Federal Tax Service of Russia for Moscow No. 21-19 / 133765 on the extension of the review of the appeal.
- On September 19, 2017, the decision of the Office of the Federal Tax Service of Russia for Moscow No. 21-19 / 147559 of the Office of the Federal Tax Service of Russia for Moscow, leaves the Appeals complaint without satisfaction.
- On December 18, 2017, an Application was submitted to the Arbitration Court of the city of Moscow to declare invalid (unlawful) the decision of the Inspectorate of the Federal Tax Service of Russia No. 17 No. 19-25 / 3-98 of 26.06.2017.
- December 20, 2017 Determination of the Arbitration Court of the city of Moscow on the acceptance of the application for proceedings (Case No. A40-243116 / 17-140-5660) and the appointment of a preliminary hearing for 13.02.2018.
- February 08, 2018 IFTS № 17 filed with the Arbitration Court of Moscow Response to the Statement of Ranbaksi, dated December 18, 2017.
- On February 13, 2018, at 10.15 am, a preliminary hearing took place. Determination of the Arbitration Court of the city of Moscow on the appointment of the case to trial (Case No. A40-243116 / 17-140-5660) in the court session of the first instance arbitration court on 20.03.2018.

### 6.9.2. *Events after the balance sheet date.*

There were no events after the balance sheet date that could have a material impact on the presentation of the accounting statements in accordance with PBU 7/98.

The Company registered an increase in the amount of the authorized capital in 2017.

### 6.9.3. *Provisions, contingent assets and liabilities*

In accordance with PBU 8/2010, the Company made the following provisions for future expenses as at December 31, 2017:

- for the payment of annual bonuses to staff in the amount of 58,300 thousand rubles,
- to pay quarterly bonuses to the staff in the amount of 9 502 thousand rubles,
- a reserve for payment of forthcoming holidays in the amount of 46 585 thousand rubles,
- a reserve for the return of goods 593 thousand rubles,
- a reserve for the use of accountable amounts of 8 180 thousand rubles,
- for other expenses 48 681 thousand rubles,
- for the forthcoming costs of providing premiums to customers for 2017 in the amount of 266 853 thousand rubles. The estimated obligation for the forthcoming costs of awarding premiums to customers was established on the basis of a monetary valuation by the Company's management.

The Company has no contingent assets and liabilities.

In accordance with PBU 8/2010, the Company as of 31.12.2016 created reserves for future expenses:

- for the payment of annual bonuses to staff in the amount of 40,223 thousand rubles,
- to pay quarterly bonuses to staff in the amount of 10 305 thousand rubles,
- a reserve for payment of forthcoming vacations in the amount of 40,797 thousand rubles,
- a reserve for the return of goods 640 thousand rubles,
- a reserve for the use of accountable amounts of 6 041 thousand rubles,
- reserve for the use of petroleum products in the amount of 2 487 thousand rubles
- for other expenses 61,354 thousand rubles,
- for the forthcoming costs of providing premiums to customers for 2016 in the amount of 166 139 thousand rubles. The estimated obligation for the forthcoming costs of awarding premiums to customers was established on the basis of a monetary valuation by the Company's management.

The Company has no contingent assets and liabilities.

#### 6.9.4. Related party transactions

The volume of transactions with related parties during the reporting period was as follows:

<i>Related parties</i>	<i>Type of relation</i>	<i>Type of transactions</i>	<i>Applied pricing methods for each type of transactions</i>	<i>Volume of transactions in 2017</i>	<i>Volume of transactions in 2016</i>
SUN PHARMACEUTICAL INDUSTRIES LTD (India)	Other related party( Parent company of the SUN PHARMACEUTICAL INDUSTRIES LTD (India) group)	Purchase of goods	According to the agreement (market price)	RUB 2 233 258 thousand	RUB 2 146 616 thousand
SUN PHARMACEUTICAL INDUSTRIES LTD (India)	Other related party (Parent company of the SUN PHARMACEUTICAL INDUSTRIES LTD (India) group)	Receipt of a bonus for purchasing volume	According to the agreement	-	-
SUN PHARMACEUTICAL INDUSTRIES LTD (India)	Other related party(Parent company of the SUN PHARMACEUTICAL INDUSTRIES LTD (India) group)	Compensation for discount given to the buyer	According to the agreement	RUB 27 476 thousand	-
Ranbaxy Therapy	Other related party (the company of the SUN PHARMACEUTICAL INDUSTRIES LTD)	Purchase of goods	According to the agreement (market price)	RUB 891 890 thousand	RUB 896 850 thousand
Ranbaxy Therapy	Other related party (the company of the SUN PHARMACEUTICAL INDUSTRIES LTD)	Receipt of a bonus for purchasing volume	According to the agreement	RUB 810 thousand	-
Representative Office of Ranbaxy	Other related party(the Representative	Purchase of fixed assets	According to the agreement (market price)	-	RUB 275 thousand

Laboratories Ltd.	Office of the SUN PHARMACEUTICAL INDUSTRIES LTD in Russia				
Representative Office Of SUN PHARMACEUTICAL INDUSTRIES LTD	Other related party(the Representative Office of the SUN PHARMACEUTICAL INDUSTRIES LTD	Agency contract	According to the agreement	RUB 1 259 thousand	RUB 1 514 thousand
Representative Office of Ranbaxy Laboratories Ltd.	Other related party(the Representative Office of the SUN PHARMACEUTICAL INDUSTRIES LTD	Purchase of fixed assets	According to the agreement (market price)	-	-
Ranbaxy (Netherlands) B.V.	Principal shareholder (99 percent of stocks)	Repayment of a long-term loan	According to the set-off agreement	-	-
Ranbaxy (Netherlands) B.V.	Principal shareholder (99 percent of stocks)	Repayment of a short-term loan		-	-
Ranbaxy (Netherlands) B.V.	Principal shareholder (99 percent of stocks)	Accrual of interest under the short-term loan agreement	3M Libor + 150 bp p.a.	USD 271 thousand	USD 233 thousand

Accounts receivable and payable to related parties of the Company as at December 31, 2017 were as follows:

in RUB'000

Related party	Type of relation	Amount of accounts receivable (payable) 2017	Amount of accounts receivable (payable) 2016
SUN PHARMACEUTICAL INDUSTRIES LTD (India)	Other related party(Parent company of the SUN PHARMACE	(1 384 027)	(1 502 589)

	UTICAL INDUSTRIES LTD (India) group)		
Ranbaxy Therapy (Romania)	Other related party(Parent company of the SUN PHARMACEUTICAL INDUSTRIES LTD (India) group)	(419 082)	(460 673)
Ranbaxy (Netherlands) B.V. (for received loans and loan interest)	Principal shareholder (99 percent of stocks)	(399 904)	(431 788)

Cash flows from related parties were as follows:

Related party	Type of relation	Type of transactions	Amount in 2016	Amount in 2015
SUN PHARMACEUTICAL INDUSTRIES LTD (India)	Other related party (Parent company of the SUN PHARMACEUTICAL INDUSTRIES LTD (India) group)	Payment for goods	RUB 2 324 344 thousand	RUB 1 713 503 thousand
Ranbaxy Therapy	Other related party (the company of the SUN PHARMACEUTICAL INDUSTRIES LTD (India) group)	Payment for goods	RUB 932 671 thousand	RUB 899 892 thousand
Representative Office Of SUN PHARMACEUTICAL INDUSTRIES LTD	Principal shareholder (99 percent of stocks)	Repayment of a short-term loan	RUB 1 259 thousand	RUB 1 789 thousand
Ranbaxy (Netherlands) B.V.	Principal shareholder (99 percent of stocks)	Repayment of a long-term loan	RUB 25 366 thousand	RUB 5 790 thousand

In 2017, the following amounts were accrued in favor of the main management personnel (management): wages - 73,085 thousand rubles; paid annual leave in the amount of 4,794 thousand rubles; bonus (bonus) by the results of 2016 in the amount of 7 519 thousand rubles, other premiums 6 630 thousand rubles, compensation payments amounted to 6 438 thousand rubles. In 2017, the Company granted short-term

interest-free loans to management personnel amounting to 687 thousand rubles. Long-term payments in favor of key management personnel in 2017 were not.

In 2016, the following amounts were accrued in favor of the main managerial personnel (management): wages - 60,685 thousand rubles; paid annual leave in the amount of 2,900 thousand rubles; bonus (bonus) for the year 2015 in the amount of 6,437 thousand rubles, other premiums of 18,329 thousand rubles, compensation payments amounted to 1,055 thousand rubles. In 2016, the Company granted short-term interest-free loans to management personnel amounting to 3,228 thousand rubles. Long-term payments in favor of key management personnel in 2016 were not.

#### *6.10. Information about the risks of business activity*

##### *6.10.1 General information about potential major risks of business activity.*

The Company's activities are subject to various risks that may affect the achievement of set objectives. For the purposes of management of potential risks, the Company has implemented and develops a risk-based approach to business activities aimed at ensuring that the Company's management makes the most effective and efficient management decisions under uncertainty and identifying opportunities for achievement of the Company's objectives.

The most significant risks that could affect the Company's activities are grouped as follows:

- credit risks;
- liquidity risks;
- currency risks;
- legal risks.

##### *6.10.2 Disclosure of information about credit risks.*

The Company's credit risk is mainly concentrated in its trade and financial activities, and other accounts receivable.

Management is making every possible effort to minimize the Company's risk exposure. In particular, the creditworthiness of customers is assessed on the basis of the contractors' financial statements, which is a prerequisite for establishing credit limits under contracts for supply of goods. Management believes that there are no significant losses for which no provision for impairment related to these and other receivables was made as at December 31, 2017.

In order to reduce the risk of impairment of receivables from commercial organizations, the Company implements a number of procedures. Credit risk is determined by summarizing the probability and the possible impact of events that affect the customers' ability to meet their obligations. Credit rating is assigned to a customer at the beginning of cooperation and is then periodically reassessed on the basis of its credit history. As part of the credit risk management policy, the Company carries out preventive procedures, which include, but are not limited to, advance payments, requirement of a collateral, bank

guarantees, letters of credit, and third party guarantees. To collect overdue receivables, the Company performs a number of actions starting from notification, suspension of the supply of goods, offsetting, and applying to courts.

As at December 31, 2017, the receivables secured by guarantees and sureties were as follows:

Buyer	Debt amount, rubles	Collateral amount, rubles	Guarantor / Surety
BSS LLC	19 022 047	110 000 000	VTB Bank OAO
Grand Capital FC OOO	55 137 275	150 000 000	OAO Sberbank of Russia
GDP	55 770 648	55 000 000	RaiffeisenBank, OJC
Katren NPK AO	330 386 208	900 000 000	ZAO Katren (Russia)
Protek TsV ZAO	592 935 801	600 000 000	OAO Sberbank of Russia
ProfitMed CJSC	31 366 938	65 000 000	OAO Sberbank of Russia
Pulse FC OOO.	458 910 723	400 000 000	OAO Sberbank of Russia
Archimed OOO	2 111 230	7 000 000	OAO Sberbank of Russia
Farmmarket	-	40 000 000	OAO Sberbank of Russia
Farmpespektiva OOO	55 633 805	120 000 000	RaiffeisenBank, OJC
<b>Total</b>	<b>1 601 274 675</b>	<b>2 447 000 000</b>	

#### 6.10.3 Disclosure of information about liquidity risks.

The Company monitors the risk of liquidity shortage at the stage of developing a cash flow budget and reviewing its implementation. The Company aims to maintain a balance between the provision of money and flexibility through the use of loans granted by the parent company. The cash flow budget takes into account the timing of cash inflows and outflows from the Company's operations. Decisions to

invest available funds or raise external funding are adopted based on the projected cash flows. Through implementation of the liquidity risk management policy the Company ensures the availability of sufficient cash to meet liabilities when due.

#### 6.10.4 Disclosure of information about currency risks.

In 2017, the Company had payables denominated in the loan currency and incurred foreign currency liabilities related to payment of interest on loans, due to which the Company is exposed to currency risk. These transactions are denominated in US dollars. Due to the sharp devaluation of the ruble during 2017, the Company incurred significant foreign exchange losses totaling RUB 21 665 thousand.

In order to reduce currency risk, the Company has switched to contracts with suppliers of goods providing for payments in rubles. With respect to monetary assets and liabilities denominated in foreign currencies, the Company's policy is aimed at maintaining the net position at risk within reasonable limits by purchasing and selling foreign currency at spot rates when necessary to address short-term imbalances.

Existence and movement of liabilities denominated in foreign currencies:

	Liabilities denominated in US dollars (USD'000)	Liabilities denominated in Euros (EUR'000)
Balance as at December 31, 2016	7 118	none
New liabilities	271	none
Repaid	(446)	none
Balance as at December 31, 2017	6 943	none

Official foreign currency exchange rates set by the Central Bank of the Russian Federation as at the balance sheet date were as follows:

	Exchange rate as at December 31, 2017	Exchange rate as at December 31, 2016
US dollar (USD)	57,6002	60,6569

After the reporting date, the ruble rate strengthened by 1% against the US dollar and amounted to 57.1072 rubles per US dollar at the date of signing (compiling) of these statements (March 26, 2013)..

#### 6.10.5 Disclosure of information about other risks.

At present, the Company's major legal risks are related to changes in the tax legislation, legal regulations, and amendments to bylaws.

Currently, Russia has a number of taxes imposed at the federal, regional, and local levels. These taxes include the value added tax, the corporate income tax, the property tax, various insurance contributions (for mandatory pension insurance, mandatory social insurance, compulsory medical insurance), and other taxes.

The current tax legislation is subject to frequent changes. In addition, the interpretation of certain provisions of tax legislation can be changed by the judiciary. This results in a large number of disputes between tax authorities and taxpayers. These disputes are mainly resolved in courts. In addition, compliance with tax and other laws (for example, customs and currency laws) is subject to examination by various government authorities entitled to impose fines and penalties.

In accordance with applicable laws, tax authorities may audit the company's activities for the three years preceding the year of audit. The fact that the company's activities for a certain period have been audited by tax authorities does not mean that the company's tax liabilities for that period will not be audited in the future: tax authorities have the right to conduct a repeated tax audit by decision of a higher level tax authority or in case the taxpayer files revised tax declarations stating a lesser amount of tax than that declared previously.

The tax risks resulting from all these facts considerably exceed those that are customary for companies in countries with a better developed tax system. Management believes that the relevant provisions of legislation have been interpreted correctly and that the probability of maintaining the status of the Company in the context of tax, currency and customs legislation as at December 31, 2017 is high.

#### *6.11. Summary.*

According to the results of its activities in 2017, the Company earned a profit of RUB 63 547 thousand. In 2017, sales increased by 6,12 percent, while the share of cost in sales increased by 3,58 percent, which amounted to 57,77 percent in 2017 vs. 61,35 percent in 2016 and the share of business expenses increased insignificantly by 0,7 percent (29,73 percent in 2017 vs 27,73 percent in 2016).

There was a slight increased of other income by 108,66 percent in 2017, while other expenses also increased by 112,99 percent.

As a result of the Company's investment activities, namely, placement of funds in bank deposits, the Company made a profit of RUB 8 927 thousand, loaning, that gave a profit amounted to RUB 4 234 thousand in 2017.

CEO

\_\_\_\_\_ / Artur Valiev /

*March 26, 2018*

**Annex to the Notes  
to the Accounting (Financial) Statements (RUB'000)**

**1. Intangible assets and of research, development and technological works (R&D)  
1.1. Existence and movements of intangible assets**

Form 0710005 p.1

Item	Code	Period	At the beginning of the year		Changes over the period						At the end of reporting		
			Historical cost	Accumulated amortization and impairment loss	Additions	Disposal		Accrued amortization	Impairment loss	Revaluation		Historical cost	Accumulated amortization and impairment loss
						Historical cost	Accumulated depreciation and impairment loss			Historical cost	Accumulated amortization		
Total intangible assets	5100	2017	12 195	(4 963)	5 881	-	-	(3 493)	-	-	-	12 195	(4 963)
	5110	2016	4 834	(3 516)	7 361	-	-	(1 446)	-	-	-	4 834	(3 516)
Including:													
other intangible assets	5101	2017	11 278	(4 773)	5 356	-	-	(3 188)	-	-	-	16 635	(7 961)
	5111	2016	4 587	(3 420)	6 691	-	-	(1 353)	-	-	-	11 278	(4 773)
Exclusive copyright to computer programs.	5102	2017	917	(190)	525	-	-	(305)	-	-	-	1 442	(495)
	5112	2016	247	(96)	670	-	-	(94)	-	-	-	917	(190)

**1.2. Historical cost of intangible assets developed in-house**

Item	Code	As at 31 December 2017		As at 31 December 2016		As at 31 December 2015	
Total	5120	-	-	-	-	-	-
Including:	5121	-	-	-	-	-	-

**1.3. Fully amortized intangible assets**

Item	Code	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
Total	5130	5	4	-
including: other intangible assets	5131	4	4	-
Exclusive copyright to computer programs,	5132	1	-	-

**1.4. Existence and movements of R&D results**

Item	Code	Period	At the beginning of the year		Additions	Changes over the period		At the end of the period	
			Historical cost	Expensed portion		Historical cost	Expensed portion for the period	Historical cost	Expensed portion
Total R&D	5140	2017	-	-	-	-	-	-	-
	5150	2016	-	-	-	-	-	-	-
including:	5141	2017	-	-	-	-	-	-	-
	5151	2016	-	-	-	-	-	-	-

## 1.5. R&amp;D in progress and not formalized and acquisitions of intangible assets in progress

Item	Code	Period	At the beginning of the year	Changes over the period			At the end of the period
				Costs for the period	Costs written off as unproductive	Recognized as intangible assets or R&D	
Costs of R&D in progress - total	5160	2017	-	-	-	-	-
	5170	2016	-	-	-	-	-
including:	5161	2017	-	-	-	-	-
	5171	2016	-	-	-	-	-
	5180	2017	-	14 400	(5 881)	8 519	8 519
	5190	2016	-	7 361	(7 361)	-	-
including:	5181	2017	-	8 019	-	-	8 019
	5191	2016	-	-	-	-	-
Videoclip "Coldact" TB10, TB20, Internet 20	5182	2017	-	500	-	-	500
	5192	2016	-	-	-	-	-
Loyalty system	5183	2017	-	62	-	62	62
	5193	2016	-	-	-	-	-
Picture "Through the clouds" for brand (Pharyngosept)	5184	2017	-	880	-	880	880
	5194	2016	-	-	-	-	-
Sketch of the visual concept TM "Coldact"	5185	2017	-	525	-	525	525
	5195	2016	-	-	-	-	-
Site "Fenules"	5186	2017	-	400	-	400	400
	5196	2016	-	-	-	-	-
Sketch of the layout design concept "Fenules"	5187	2017	-	4 015	-	4 015	4 015
	5197	2016	-	-	-	-	-
Videoclip "Stay in the saddle" Fenules	5188	2017	-	-	-	-	-
	5198	2016	-	1 070	-	1 070	1 070
Sketch "Ketanov Kids, Active"	5189	2017	-	-	-	-	-
	5199	2016	-	5 621	-	5 621	5 621
Videoclip "Through the clouds" (Pharyngosept)	5189	2017	-	-	-	-	-
	5199	2016	-	5 621	-	5 621	5 621
Intellectual property "Registration and approval of purchase orders"		2017	-	670	-	670	670
		2016	-	-	-	-	-



2.2. Capital investments in progress

Item	Code	At the beginning of the year		At the beginning of the year	Written off	Recognized as fixed assets or written up	At the end of the period
		2017	2016				
Construction in progress and acquisitions, modernization etc. of fixed assets in progress - total including:	5240	2017		1 137		(1 137)	
	5250	2016	674	3 455		(4 128)	
Server PE RG30 8B Base v4	5241	2017		416		416	
	5251	2016		-		-	
PC Dell Optiplex 5050 VN I7 7700/8Gb/1Tb	5242	2017		350		350	
	5252	2016		-		-	
Switch Catalyst 2960-X 48 GbE	5243	2017		225		225	
	5253	2016		-		-	
Router with PC/CCC-	5244	2017		146		146	
	5254	2016		-		-	
CISCO1941/K9-Certificate+Voice module	5245	2017		-		-	
Vehicle: Renault Sandero X7LBSRB2HBH369466	5255	2016	64	3		66	
Vehicle: Renault Sandero X7LBSRB2HCH57215	5246	2017		85		85	
	5256	2016		-		-	
Vehicle: Renault Sandero X7LBSRB2HBH423987	5247	2017		64		66	
	5257	2016		3		-	
Vehicle: Renault Sandero X7LBSRB2HCH553224	5248	2017		85		88	
	5258	2016		-		-	
Vehicle: Renault Sandero X7LBSRB2HBH413695	5249	2017		-		-	
	5259	2016	64	-		64	
Vehicle: Renault Sandero X7LBSRB2HCH552412		2017		-		-	
		2016	85	-		85	
Vehicle: Renault Sandero X7LBSRB2HDH665002		2017		-		-	
		2016	114	-		114	
Vehicle: Renault Sandero X7LBSRB2HDH652310		2017		-		-	
		2016	114	-		114	
Laptop HP PB 440 G3 i5-6200U with a case		2017		1 715		1 715	
		2016		-		-	
Vehicle: PEUGEOT Partner VF3GCKFWCAX517950		2017		42		42	
		2016		-		-	
Vehicle: Renault Sandero X7LBSRB2HCH553221		2017		45		45	
		2016		-		-	
Vehicle: Renault Sandero X7LBSRB2HCH553225		2017		85		85	
		2016		-		-	
Vehicle: Renault Sandero X7LBSRB2HBH415558		2017		42		42	
		2016		-		-	
Vehicle: Chevrolet Cruze XUFJA696JC3026770		2017		66		66	
		2016		-		-	
Automatic gas fire extinguishing system with gas "Inergen"		2017		1 450		1 450	
		2016		-		-	

2.3. Changes in the cost of fixed assets resulting from further construction, additional equipment, reconstruction or partial liquidation

Item	Code	in 2017	in 2016
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Total increase in the cost of fixed assets as a result of further construction, including:	5260	
FORD Mondo X9FDXEED9K47683	5261	
Total decrease in the cost of fixed assets as a result of partial liquidation including:	5270	
	5271	

## 2.4. Other use of fixed assets

Name of the figure	Code	31.12.2017	31.12.2016	31.12.2015
Leased fixed assets on the balance sheet	5260	-	-	-
Leased fixed assets that are on behind the balance sheet	5261	-	-	-
Leased property, plant and equipment on the balance sheet	5262	-	-	-
Leased property, plant and equipment listed on behind the balance sheet	5263	111 318	98 879	73 868
The items of immovable property accepted in transaction and actually used, in process of state registration	5284	-	-	-
Fixed assets transferred to conservation	5285	-	-	-
Other use of fixed assets (ball, etc.)	5286	-	-	-
	5287	-	-	-

**3. Financial investments**  
**3.1. Existence and movements of financial investments**

Item	Code	Period	Changes over the period									
			At the beginning of the year		Additions	Disposed of (repaid)		Accrual of interest (including to bring cost to par value)	In current market value (impairment loss)	At the end of the period		
			Historical cost	Accumulated adjustments		Historical cost	Accumulated adjustments			Historical cost	Accumulated adjustments	
Long-term - total	5301 5311	2017 2016	- -	- -	- -	- -	- -	- -	- -	- -	- -	
including:												
	5302	2017	-	-	-	-	-	-	-	-	-	
	5312	2016	-	-	-	-	-	-	-	-	-	
	5305	2017	412 333	-	3 350 000	(3 425 000)	(137 333)	-	-	200 000	-	
	5315	2016	425 000	-	3 662 333	(3 675 000)	-	-	-	412 333	-	
Short-term - total												
including:												
Loans issued	5306 5316	2017 2016	137 333 -	-	- 137 333	- -	(137 333) -	- -	- -	137 333 -	- -	
Bank deposits	5306 5316	2017 2016	275 000 425 000	-	3 350 000 3 525 000	(3 425 000) (3 675 000)	- -	- -	- -	200 000 275 000	- -	
Total financial investments	5300 5310	2017 2016	412 333 425 000	-	3 350 000 3 662 333	(3 425 000) (3 675 000)	(137 333) -	- -	- -	200 000 412 333	- -	

**3.2. Other utilization of financial investments**

Item	Code	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
Pledged financial investments - total	5320	-	-	-
including:				
	5321	-	-	-
Investments transferred to third parties (except sale) - total	5325	-	-	-
including:				
	5326	-	-	-
Other utilization of financial investments	5329	-	-	-



**4.2. Inventory pledged**

Item	Code	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
Total inventory unpaid as at the reporting date	5440	-	-	-
including:				
	5441	-	-	-
	5445	-	-	-
Total inventory pledged as collateral under contracts		-	-	-
including:				
	5446	-	-	-

5. Receivables and payables  
5.1. Existence and movements of receivables and payables

Item	Code	Period	Changes over the period										At the end of the period										
			At the beginning of the year			additions				disposals			reclassification from long-term to short-term	reclassification from receivables to payables	reclassification from payables to receivables	accounted for under contracts	provision for doubtful debts						
			accounted for under contracts	provision for doubtful debts	arising from business transactions (transaction amount outstanding)	interest, penalties and other charges due	repaid	charged against financial result	reversal of provision														
Total long-term receivables	5501	2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
	5521	2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Including:																							
Settlements with buyers and customers	5502	2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	5503	2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Advances made	5523	2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	5504	2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other	5524	2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	5505	2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	5525	2016	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total short-term receivables	5510	2017	2 182 093	(9 543)	8 065 811	-	(7 823 827)	-	(21 163)	-	323	60	2 424 077	(106 589)	18	2 182 093	(9 543)	-	-	-	-	-	
	5530	2016	1 759 467	(47 111)	7 022 270	-	-659 969 6427	-	(60 160)	-	35	18	2 182 093	(9 543)	-	-	-	-	-	-	-	-	
Including:																							
Settlements with buyers and customers	5511	2017	1 907 794	(8 495)	5 863 245	-	-5 495 198 365	-	(21 163)	-	-	-	2 274 841	(105 541)	-	2 274 841	(105 541)	-	-	-	-	-	
	5531	2016	1 618 495	(46 063)	5 537 593	-	(5 248 293)	-	(60 160)	-	-	-	1 907 794	(8 495)	-	1 907 794	(8 495)	-	-	-	-	-	
Advances made	5512	2017	117 753	(1 048)	485 615	-	(528 486)	-	-	-	-	-	74 882	(1 048)	-	74 882	(1 048)	-	-	-	-	-	
	5532	2016	27 330	(1 048)	437 427	-	(347 004)	-	-	-	-	-	117 753	(1 048)	-	117 753	(1 048)	-	-	-	-	-	
Other	5513	2017	156 546	-	1 716 950	-	(1 799 143)	-	-	-	-	-	60	-	60	74 354	-	-	-	-	-	-	
	5533	2016	113 642	-	1 047 251	-	(1 004 399)	-	-	-	-	-	35	-	18	156 546	-	-	-	-	-	-	
	5514	2017	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	5500	2017	2 182 093	(9 543)	8 065 811	-	(7 823 827)	-	(21 163)	-	X	X	2 424 077	(106 589)	X	2 424 077	(106 589)	-	-	-	-	-	
	5520	2016	1 759 467	(47 111)	7 022 270	-	-659 969 6427	-	(60 160)	-	X	X	2 182 093	(9 543)	X	2 182 093	(9 543)	-	-	-	-	-	

## 5.2. Overdue receivables

Item	As at 31 December 2017		As at 31 December 2018		As at 31 December 2019	
	Code	accounted for under contracts book value				
Total	5540					
Including:						
Settlements with buyers and customers	5541					
Settlements with buyers and customers (on advance payments, prepayments)	5542					
Other	5543					
	5544					

## 5.3. Existence and movements of payables

Item	Code	Period	Balance at the beginning of the year	Changes over reporting period				Written-off to P&L	transfer from long- to short-term debt	reclassification from receivables to payables	reclassification from payables to receivable	Balance at the end of reporting period
				поступление	interest, penalties and other charges due	repaid	выбыло					
Total long-term payables	5551	2017	2 451 166	4 846 522	32 755	5 096 831	(4)		323	60	2 233 607	
	5571	2016	2 176 366	5 365 954	16 715	(5 107 869)	-		35	18	2 451 166	
Including:												
credits	5552	2017										
	5572	2016										
loans	5553	2017										
	5573	2016										
other	5554	2017										
	5574	2016										
	5555	2017										
	5575	2016										
Total short-term payables	5560	2017	1 968 636	3 853 855	-	(4 010 085)	(4)		-	-	1 812 401	
	5580	2016	1 627 497	3 733 629	-	(3 392 490)	-		-	-	1 968 636	
Including:												
settlements with buyers and customers	5581	2017	258	73 893	-	(73 939)	-		-	-	213	
	5562	2016	375	121 134	-	(121 251)	-		-	-	258	
advances received	5582	2017	24 383	529 915	16 757	(566 433)	-		304	-	4 623	
	5563	2016	9 162	514 874	-	(499 653)	-		-	-	24 383	
Settlements on taxes and levies	5583	2017										
	5564	2016										
lending	5584	2017										
	5565	2016	431 788	28 126	15 998	(76 007)	-		-	-	399 904	
borrowing	5585	2017	508 213	60 990	16 715	(154 131)	-		-	-	431 788	
	5566	2016	26 101	360 732	-	(370 367)	-		19	60	16 468	
other	5586	2017	31 119	935 327	-	(840 344)	-		-	35	26 101	
	5567	2016										
settlements with founders on contributions to charter capital	5587	2017	2 451 166	4 846 522	32 755	(5 096 831)	(4)	X	X	X	2 233 607	
Total	5570	2016	2 176 366	5 365 954	16 715	(5 107 869)	-	X	X	X	2 451 166	

**5.4. Overdue accounts payable**

Name of the figure	Code	31.12.2017	31.12.2016	31.12.2015
Total	5590	-	-	-
among them:				
settlements with suppliers and contractors	5591	-	-	-
settlements with buyers and customers	5592	-	-	-
	5593	-	-	-

### 6. Production costs

Item	Code	2017	2016
Material expenses	5610	3 111 291	3 104 934
Labor costs	5620	609 620	539 437
Social security contributions	5630	140 399	124 310
Depreciation	5640	16 996	18 325
Other costs	5650	780 167	665 988
Total	5660	4 658 473	4 452 994
Change in balances (increase [-]): of work in progress, finished goods, etc.	5670	(132 208)	(194 970)
Change in balances (decrease [+]): of work in progress, finished goods, etc.	5680	-	-
Total expenses from ordinary activities	5600	4 526 265	4 258 024

## 7. Estimated liabilities

Item	Code	Balance at the beginning of the year	Recognized	Reversed	Written off as excess	Balance at the end of the period
Estimated liabilities - total	5700	327 987	504 419	(392 204)	(1 508)	438 694
including:						
Provision for fuel and lubricants	5701	2 487	(4 716)	2 229	-	-
Provision for returned goods	5702	641	491	-	(539)	593
Provision for vacation pay	5703	40 797	59 068	(53 281)	-	46 584
Provision for payment of annual bonuses to employees	5704	40 223	58 069	(39 991)	-	58 301
Other expenses	5705	61 354	(11 705)	-	(969)	48 680
Bonuses to buyers	5706	59 187	91 670	(84 225)	-	66 632
Provision for payment of quarterly bonuses to employees	5707	10 305	(803)	-	-	9 502
Provision for imprest amounts	5708	6 041	2 140	-	-	8 181
Volume discounts to buyers	5709	106 952	310 205	(216 936)	-	200 221

**8. Security for obligations**

Item	Code	As at 31 December 2017	As at 31 December 2016	As at 31 December 2015
Received - total	5800	2 447 000	3 774 776	1 630 000
including:				
	5801			
Given - total	5810			
including:				
	5811			

**9. Government aid**

Item	Code	2017		2016	
		At the beginning of the year	Received during the year	Repaid during the year	At the end of the year
Budgetary funds received - total	5900	-	-	-	-
including:					
for current expenditures	5901	-	-	-	-
for investments in non-current assets	5905	-	-	-	-
Budgetary loans - total					
including:					
in 2017	5910	-	-	-	-
in 2016	5920	-	-	-	-
in 2017	5911	-	-	-	-
in 2016	5921	-	-	-	-