

AUDITOR'S REPORT

on the accounting (financial) statements
of AO Ranbaxy for 2015

AUDITOR'S REPORT

To the shareholders of AO RANBAXY

Audited entity

Joint Stock Company RANBAXY (AO RANBAXY)

Reg. No. 1047796353846.

Location: Prospekt Mira 119, bld. 537/2, Moscow, 129223, Russia.

Auditor

BDO Unicon Aktsionernoe Obshchestvo (BDO Unicon AO)

Registered by Inspectorate of the Russian Ministry of Taxes and Levies No. 26 in the Southern Administrative District of Moscow under the Primary State Registration No. 1037739271701.

Location: Varshavskoye Shosse 125, bld. 1, section 11, Moscow, 117587, Russia.

BDO Unicon AO is a member of a professional association of auditors Self-Regulatory Organisation of Auditors "Audit Chamber of Russia" (Association), Primary Registration Number in the State Register of Auditors and Audit Organisations 10201018307.

The person authorised to sign the Auditor's Report is Director M.N. Aksenov acting under power of attorney No. 12-01/2016-BDO dated 1 January 2016

We have audited the enclosed accounting (financial) statements of AO Ranbaxy for 2015, which comprise:

- the balance sheet as at 31 December 2015;
- the profit and loss statement for 2015;
- Annex to the balance sheet and the profit and loss statement, including:
 - the statement of changes in equity for 2015;
 - the statement of cash flows for 2015;
 - notes to the accounting (financial) statements for 2015.

Audited Entity's Responsibility for the Accounting (Financial) Statements

Management of AO Ranbaxy is responsible for the preparation and fair presentation of these accounting (financial) statements in accordance with the statutory requirements of the Russian Federation for the preparation of accounting (financial) statements 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.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the accounting (financial) statements are fairly presented based on our audit. We conducted our audit in accordance with Federal Auditing Standards. Those standards require that we comply with applicable ethical requirements, and also plan and perform the audit so as to obtain reasonable assurance that the accounting (financial) statements are free from material misstatement.

The audit involved procedures to obtain audit evidence supporting the amounts and disclosures in the accounting (financial) statements. The audit procedures selected depend on our judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, we considered the internal control system relevant to the preparation and fair presentation of the accounting (financial) statements in order to select appropriate audit procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control system.

The audit also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the audited entity, as well as evaluating the overall presentation of the accounting (financial) statements.

We believe that the audit evidence obtained during the audit provides a reasonable basis for rendering a qualified opinion on the fair presentation of the accounting (financial) statements.

Basis for Qualified Opinion

- 1) Other income for 2015 and 2014 includes the bonuses and awards received by the Company for achieving certain volumes of regular purchases of goods from suppliers, amounting to RUB 42,220 thousand and RUB 32,464 thousand, respectively. These bonuses and awards were received by the Company in accordance with the concluded supply agreements.

In the Auditor's opinion, the amounts paid and/or payable to suppliers included in the cost of inventories should be net of all bonuses, discounts and other incentives provided to the Company for purchases of certain goods, regardless of the form in which they were provided, in accordance with the economic substance over form principle set forth in the current Russian accounting standards.

This irregularity resulted in misstatement of the following items in the profit and loss statement for 2015:

- Cost of sales (line 2120) were overstated by RUB 42,220 thousand;
- Other income (line 2340) was overstated by RUB 42,220 thousand;

and for 2014:

- Cost of sales (line 2120) were overstated by RUB 32,464 thousand;
- Other income (line 2340) was overstated by RUB 32,464 thousand.

- 2) Other expenses for 2015 and 2014 include the amount of bonuses and awards granted by the Company to buyers for achieving certain volumes of regular purchases of goods and early payments for goods, amounting to RUB 201,519 thousand and RUB 165,885 thousand, respectively. These bonuses and awards were provided by the Company to buyers in accordance with the sales agreements concluded with customers.

In the Auditor's opinion, the amounts paid and/or payable by customers should be included in the revenue net of all bonuses, discounts and other incentives provided by the Company for purchases of certain goods, regardless of the form in which they were provided, in accordance with the economic substance over form principle set forth in the current Russian accounting standards.

This irregularity resulted in misstatement of the following items in the profit and loss statement for 2015:

- Revenue (line 2110) was overstated by RUB 201,519 thousand;
- Other expenses (line 2350) were overstated by RUB 201,519 thousand;

and for 2014:

- Revenue (line 2110) was overstated by RUB 165,885 thousand;
- Other expenses (line 2350) were overstated by RUB 165,885 thousand.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the accounting (financial) statements present fairly, in all material respects, the financial position of AO Ranbaxy as at 31 December 2015 and its financial performance and cash flows for 2015 in accordance with the statutory requirements of the Russian Federation for the preparation of financial statements.

Other Information

The accounting (financial) statements for the period from 1 January to and including 31 December 2014 were reviewed by another auditor, whose report dated 13 March 2015 contained an unqualified opinion on those statements.

BDO Unicon AO

M.N. Aksenov, Director

28 March 2016

Total number of pages bound:____.