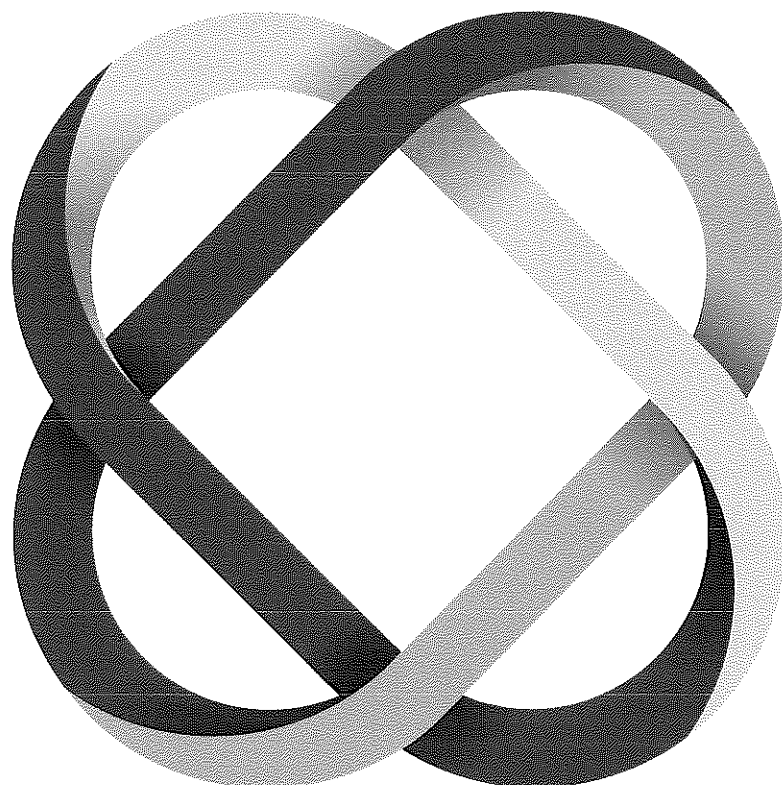


Biosintez Public Joint Stock Company

# **Independent Auditor's Report on the Financial Statements**

for the period ended 31 December 2019

Moscow | 2020



# Independent Auditor's Report [Translation from Russian original]

To the Shareholder of  
Biosintez Public Joint Stock Company

## Opinion

We have audited the accompanying financial statements of Biosintez Public Joint Stock Company (hereinafter - Biosintez PJSC), which comprise the balance sheet as at 31 December 2019, statement of financial results, supplements to the balance sheet and the statement of financial results, including the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements for the year ended 31 December 2019, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Biosintez PJSC as at 31 December 2019, its financial performance and its cash flows for the year then ended in accordance with Russian accounting standards.

## Basis for Opinion

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 audited entity in accordance with the Rules of Independence of the Auditors and Audit Organizations and The Code of Professional Ethics of the Auditors, which are in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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 opinion.

## Responsibilities of Management and Members of the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Russian accounting standards, 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 entity'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 entity or to cease operations, or has no realistic alternative but to do so.

Members of the Board of Directors are responsible for overseeing the entity'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 judgement and maintain professional scepticism throughout the audit. We also:

- a) 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.
- b) 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 entity's internal control.
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) 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 entity'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 entity to cease to continue as a going concern.
- e) 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.

We communicate with members of the Board of Directors 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.

Engagement partner on the audit  
resulting in this independent  
auditor's report

L.A. Panfilova  
Audit qualification certificate dated 18 April 2005  
No. K 022777, registration number 22006035483

Date of the independent auditor's report: 25 March 2020

## Audited entity

**Name:**

Biosintez Public Joint Stock Company (Biosintez PJSC).

**Address of the legal entity within its location:**

4 Druzhby St, Penza, 440033, Russian Federation.

**State registration:**

Registered by the Administration of the Zheleznodorozhny District of Penza on 26 November 1992. Resolution No. 114.

The registration entry was made in the Unified State Register of Legal Entities on 11 September 2002 under primary state registration number (OGRN) 1025801102502.

## Auditor

**Name:**

FBK, LLC.

**Address of the legal entity within its location:**

44/1 Myasnitskaya St, Bldg 2AB, Moscow, 101990, Russian Federation.

**State registration:**

Registered by the Moscow Registration Chamber on 15 November 1993, registration number 484.583.

The registration entry was made in the Unified State Register of Legal Entities on 24 July 2002 under primary state registration number 1027700058286.

**Membership in a self-regulatory organization of auditors:**

Member of the Self-regulatory organization of auditors Association "Sodruzhestvo".

Primary number of registration entry in the register of auditors and audit organizations of the self-regulatory organization of auditors 11506030481.

**Balance Sheet**  
as at **31 December 20 19**

Form on OKUD  
Date (day, month, year)  
OKPO  
INN

Entity **Biosintez Public Joint Stock Company**  
Taxpayer identification number \_\_\_\_\_  
Type of activity drug manufacturing OKVED 2  
Legal form/property form \_\_\_\_\_  
PJSC/private ownership \_\_\_\_\_ OKOPF/OKFS  
Measurement unit: thousand RUB \_\_\_\_\_ OKEI  
Location (address) 4 Druzhby St., Penza, 440033

Codes		
0710001		
31	12	2019
00480550		
5834001025		
21.20.1		
12247		16
384		

The financial statements are subject to statutory audit

YES  NO

Name of the audit firm/  
Full name of the individual auditor  
FBK, LLC

Taxpayer identification number \_\_\_\_\_ INN  
of the audit firm/individual auditor  
Principal state registration \_\_\_\_\_ OGRN/OGRNIP  
number of the audit firm/individual auditor

7701017140
1027700058286

Note	Narrative	Code	As at 31 December 20 19	As at 31 December 20 18	As at 31 December 20 17
<b>ASSETS</b>					
<b>I. NON-CURRENT ASSETS</b>					
4.1.	Intangible assets	1110	1 897	2 200	2 508
3;4.2;4.4	Research and development results	1120	26 658	41 040	49 722
	including:				
4.2.	<i>Research and development results put into operation</i>	1121	4 916	5 791	8 953
4.4.	<i>R&amp;D and intangible assets acquisition in progress</i>	1122	21 742	35 249	40 769
	Intangible exploration assets	1130	-	-	-
	Tangible exploration assets	1140	-	-	-
3;4.3;4.4	Fixed assets	1150	2 197 460	2 251 810	2 086 715
	including:				
4.3.	<i>Fixed assets put into operation</i>	1151	2 071 632	2 146 459	1 776 398
4.4.	<i>In-progress capital investments in fixed assets</i>	1152	125 828	105 351	310 317
	Income-bearing investments in tangible assets	1160	-	-	-
4.5.	Financial investments	1170	2 000	2 000	2 000
4.6.	Deferred tax assets	1180	187 142	226 694	162 006
4.7.	Other non-current assets	1190	20 921	15 809	14 704
	Total Section I	1100	2 436 078	2 539 553	2 317 655
<b>II. CURRENT ASSETS</b>					
4.8.	Inventories	1210	871 046	538 344	637 119
	including:				
	<i>raw materials, consumables and other similar assets</i>	1211	441 404	372 357	360 374
	<i>work in progress costs</i>	1212	62 050	71 993	63 948
	<i>finished products and goods for resale</i>	1213	364 919	92 226	211 430
	<i>other inventories and costs</i>	1214	2 673	1 768	1 367
	Input value-added tax	1220	11 204	14 174	12 319
3;4.9.	Accounts receivable	1230	830 300	804 742	1 092 095
	including:				
	<i>Accounts receivable (expected to be repaid beyond 12 months after the reporting date)</i>	1231	5 619	5 570	76 806
	<i>Accounts receivable (expected to be repaid within 12 months after the reporting date)</i>	1232	824 681	799 172	1 015 289
	Financial investments (excluding cash equivalents)	1240	-	-	-
4.10.	Cash and cash equivalents	1250	25 312	123 160	123 322
	including:				
	<i>deposit</i>	1251	-	100 000	-
4.11.	Other current assets	1260	44	44	37
	Total Section II	1200	1 737 906	1 480 464	1 864 892
	<b>BALANCE</b>	1600	4 173 984	4 020 017	4 182 547

Note	Narrative	Code	As at 31 December 20 19	As at 31 December 20 18	As at 31 December 20 17
<b>LIABILITIES</b>					
<b>III. EQUITY AND RESERVES</b>					
4.12.	Share capital	1310	286	286	286
	Own shares buy-back	1320	( - )	( - )	( - )
4.13.	Revaluation of non-current assets	1340	289 893	297 120	298 605
	Additional capital (without revaluation)	1350	-	-	-
4.14.	Reserve capital	1360	14	14	14
4.15.	Retained earnings (uncovered loss)	1370	( 97 084 )	( 87 287 )	356 190
	<b>Total Section III</b>	<b>1300</b>	<b>193 109</b>	<b>210 133</b>	<b>655 095</b>
<b>IV. LONG-TERM LIABILITIES</b>					
4.17.	Borrowings	1410	2 380 430	3 295 956	1 960 491
4.16.	Deferred tax liabilities	1420	124 689	113 973	105 068
	Estimated liabilities	1430	-	-	-
	Other liabilities	1450	37 912	-	-
	<b>Total Section IV</b>	<b>1400</b>	<b>2 543 031</b>	<b>3 409 929</b>	<b>2 065 559</b>
<b>V. SHORT-TERM LIABILITIES</b>					
4.17.	Borrowings	1510	1 143 492	75 062	1 192 461
3;4.18.	Accounts payable	1520	193 152	168 321	106 333
	including:				
3	suppliers and contractors	1521	158 039	88 257	36 134
	payables to company employees	1522	15 524	15 176	15 329
	payables to state non-budgetary funds	1523	5 322	8 980	1 237
	charge and tax payables	1524	10 194	12 324	13 978
	advances received	1525	3 366	1 098	2 652
	other creditors	1526	707	42 486	37 003
	Deferred income	1530	2 134	2 137	2 217
3;4.20.	Estimated liabilities	1540	99 066	154 435	160 882
	Other liabilities	1550	-	-	-
	<b>Total Section V</b>	<b>1500</b>	<b>1 437 844</b>	<b>399 955</b>	<b>1 461 893</b>
	<b>BALANCE</b>	<b>1700</b>	<b>4 173 984</b>	<b>4 020 017</b>	<b>4 182 547</b>

General Director

(signature)

20

March

20 20

D.V. Boldov

(printed name)

Chief Accountant

(signature)

T.Y. Tefanova

(printed name)

**Statement of Financial Results**  
for \_\_\_\_\_ the year \_\_\_\_\_ 20 19

Entity Biosintez Public Joint Stock Company Form on OKUD  
Date (day, month, year) \_\_\_\_\_  
Taxpayer identification number \_\_\_\_\_ OKPO \_\_\_\_\_  
Type of activity Drug manufacturing OKVED 2 \_\_\_\_\_  
Legal form/property form PJSC / private OKOPF/OKFS \_\_\_\_\_  
Measurement unit: thousand RUB \_\_\_\_\_ OKEI \_\_\_\_\_

Codes		
0710002		
31	12	2019
00480550		
5834001025		
21.20.1		
12247		16
384		

Note	Narrative	Code	for the year 20 <u>19</u>	for the year 20 <u>18</u>
5.1.	Revenue	2110	2 424 556	2 085 294
	including from the sale of own-produced medical products	2111	2 395 138	2 053 516
5.2.	Cost of sales	2120	( 1 746 073 )	( 1 678 197 )
	including from the sale of own-produced medical products	2121	( 1 728 496 )	( 1 661 135 )
	Gross profit (loss)	2100	<b>678 483</b>	<b>407 097</b>
5.2.	Selling expenses	2210	( 115 458 )	( 137 451 )
5.2.	Administrative expenses	2220	( 281 371 )	( 287 666 )
	Sales profit (loss)	2200	<b>281 654</b>	( <b>18 020</b> )
	Income from participation in other entities	2310	-	-
	Interest receivable	2320	6 225	4 675
	Interest payable	2330	( 237 378 )	( 231 466 )
3;5.3.	Other income	2340	136 210	37 729
3;5.3.	Other expenses	2350	( 138 200 )	( 292 931 )
	Profit (loss) before tax	2300	<b>48 511</b>	( <b>500 013</b> )
5.4.	Current income tax	2410	( 15 102 )	( - )
5.4.	including permanent tax liabilities (assets)	2421	55 651	40 090
5.4.	Changes in deferred tax liabilities	2430	( 10 698 )	( 8 858 )
5.4.	Changes in deferred tax assets	2450	( 39 552 )	68 654
	Other	2460	( 183 )	( 4 745 )
5.5.	<b>Net profit (loss)</b>	2400	( <b>17 024</b> )	( <b>444 962</b> )

Note	Narrative	Code	for the year 20 19	for the year 20 18
	<b>FOR REFERENCE</b>			
	Result of revaluation of non-current assets not included to the net profit (loss) for the period	2510	-	-
	Result of other transactions not included to the net profit (loss) for the period	2520	( )	( )
	Cumulative financial result for the period	2500	( 17 024 )	( 444 962 )
5.5.	Basic earnings (loss) per share	2900	( - )	( 2 )
5.5.	Diluted earnings (loss) per share	2910	( - )	( 2 )

General Director \_\_\_\_\_  
(signature)

D.V. Boldov \_\_\_\_\_  
(printed name)

Chief Accountant \_\_\_\_\_  
(signature)

T.Y. Tefanova \_\_\_\_\_  
(printed name)

20      March      20 20



## Statement of Changes in Equity for 20 19

Form on OKUD  
Date (day, month, year)

31 12 2019

OKPO  
OKVED 2

OKOPF/OKFS  
OKEI

Codes		
0710004		
31	12	2019
00480550		
5834001025		
21.20.1		
12247	16	
384		

Entity Biosintez Public Joint Stock Company

Taxpayer identification number \_\_\_\_\_

Type of activity drug manufacturing

Legal form/property form PJSC/private ownership

Measurement unit: thousand RUB

### 1. Changes in equity

Narrative	Code	Share capital	Own shares buy-back	Additional capital	Reserve capital	Retained earnings (uncovered loss)	Total
Balance as at 31 December 20 17	3100	286	(-)	298 605	14	356 190	655 095
Increase in equity — total:	3210	-	-	-	-	-	-
including:							
net profit	3211	X	X	X	X	-	-
revaluation of assets	3212	X	X	X	X	-	-
income directly attributable to equity	3213	X	X	X	X	-	-
additional shares issue	3214				X	X	X
increase in share par value	3215				X		X
reorganisation of legal entity	3216						

Narrative	Code	Share capital	Own shares buy-back	Additional capital	Reserve capital	Retained earnings (uncovered loss)	Total
Decrease in equity — total:	3220	0		0	0	(444962)	(444962)
including:							
loss	3221	x	x	x	x	(444962)	(444962)
revaluation of assets	3222	x	x	0	x	0	0
expenses directly attributable to equity	3223	x	x	0	x	-	-
decrease in share par value	3224	0			x	0	0
decrease in number of shares	3225	0			x	0	0
reorganisation of legal entity	3226					0	0
dividends	3227	x	x	x	x	0	0
Additional capital change	3230	x	x	(1485)		1 485	x
Reserve capital change	3240	x	x	x			x
Sale of own shares	32451	x		x			0
Balance as at 31 December 20 18	3200	286	(-)	297 120	14	(87287)	210 133
for 20 19							
Increase in equity — total:	3310	-	-	-	-	-	-
including:							
net profit	3311	x	x	x	x	-	-
revaluation of assets	3312	x	x		x		
income directly attributable to equity	3313	x	x		x		
additional shares issue	3314				x	x	x
increase in share par value	3315				x		
reorganisation of legal entity	3316						
Decrease in equity — total:	3320	(-)	(-)	(-)	(-)	(17024)	(17024)
including:							
loss	3321	x	x	x	x	(17024)	(17024)
revaluation of assets	3322	x	x	0	x	0	0
expenses directly attributable to equity	3323	x	x	0	x	0	0
decrease in share par value	3324	0			x	0	0
decrease in number of shares	3325	0			x	0	0
reorganisation of legal entity	3326					0	0
dividends	3327	x	x	x	x	0	0
Additional capital change	3330	x	x	(7227)		7 227	x
Reserve capital change	3340	x	x	x		0	x
Balance as at 31 December 20 19	3300	286	(-)	289 893	14	(97084)	193 109

**2. Restatements due to changes in accounting policies and correction of errors**

Narrative	Code	As at 31 December 20 <u>17</u>	Changes in equity for 20 <u>18</u>		As at 31 December 20 <u>18</u>
			From net profit (loss)	Due to other factors	
<b>Equity — total</b>					
before restatement	3400	619 189	( 454 595 )	-	164 594
restatement due to:					
changes in accounting policies	3410				
correction of accounting errors	3420	35 906	9 633	-	45 539
after restatement	3500	655 095	( 444 962 )	-	210 133
including:					
retained earnings (uncovered loss):					
before restatement	3401	320 284	( 454 595 )	1 485	( 132 826 )
restatement due to:					
changes in accounting policies	3411				
correction of accounting errors	3421	35 906	9 633	-	45 539
after restatement	3501	356 190	( 444 962 )	1 485	( 87 287 )
other capital items					
restatements:					
(by items)					
before restatement	3402	298 905	-	( 1 485 )	297 420
restatement due to:					
changes in accounting policies	3412				
correction of accounting errors	3422				
after restatement	3502	298 905	-	( 1 485 )	297 420

**3. Net assets**

Narrative	Code	As at 31 December		As at 31 December	
		20 19	20 18	20 17	20 17
Net assets	3600	195 243	212 270		657 312

General Director (signature) D.V. Boldov Chief Accountant (signature) T.Y. Tefanova  
(printed name) (printed name)

20 March 20 20

**Statement of Cash Flows**  
for                      **the year** 20 19

Entity Biosintez Public Joint Stock Company  
 Taxpayer identification number \_\_\_\_\_  
 Type of activity drug manufacturing  
 Legal form/property form PJSC  
 private ownership \_\_\_\_\_  
 Measurement unit: thousand RUB

Form on OKUD \_\_\_\_\_  
 Date (day, month, year) \_\_\_\_\_  
 OKPO \_\_\_\_\_  
 INN \_\_\_\_\_  
 OKVED 2 \_\_\_\_\_  
 OKOPF/OKFS \_\_\_\_\_  
 OKEI \_\_\_\_\_

Codes		
0710005		
31	12	2019
00480550		
5834001025		
21.20.1		
12247		16
384		

Narrative	Code	for <u>the year</u>	for <u>the year</u>
		20 <u>19</u>	20 <u>18</u>
<b>Cash flows from operating activities</b>			
<b>Receipts – total</b>	4110	<b>2 460 282</b>	<b>2 277 757</b>
including:			
sales of products, goods, works and services	4111	2 366 057	2 059 094
rent payments, licence payments, royalties, commissions and other payments	4112	1 697	903
resale of financial investments	4113	-	-
other receipts	4119	92 528	217 760
<i>Including other receipts from related companies (Sun Pharma (Netherlands) B.V.)</i>	41191	-	203 971
<b>Payments – total</b>	4120	<b>( 2 529 606 )</b>	<b>( 2 162 094 )</b>
including:			
to suppliers for raw materials, works, services	4121	( 1 756 634 )	( 1 427 819 )
wages and salaries	4122	( 546 035 )	( 530 649 )
interest on borrowings	4123	( 134 305 )	( 125 348 )
<i>including interest on borrowings towards related parties (Sun Pharma (Netherlands) B.V.)</i>	41231	( 134 194 )	( 125 348 )
income tax	4124	( 17 635 )	-
other payments	4129	( 74 997 )	( 78 278 )
<b>Net cash flows from operating activities</b>	4100	<b>( 69 324 )</b>	<b>115 663</b>

Narrative	Code	for the year	
		20 19	20 18
<b>Cash flows from investing activities</b>			
<b>Receipts – total</b>	4210	1 563	0
including:			
from sales of non-current assets (except for financial investments)	4211	1 563	-
from sales of shares of other entities (ownership interest)	4212	-	-
from return of loans issued, sales of debt securities (rights of claiming cash from third parties)	4213	-	-
dividends, interest on debt financial investments and receipts from participation in other entities	4214	-	-
other receipts	4219	-	-
<b>Payments – total</b>	4220	( 98 074 )	( 236 769 )
including:			
acquisition, construction, modernisation, reconstruction and preparation for the use of non-current assets	4221	( 96 891 )	( 236 769 )
acquisition of other entities shares (ownership interest)	4222	( - )	( - )
acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties	4223	( - )	( - )
borrowing costs included in the cost of the investment asset	4224	( 1 183 )	( - )
<i>including borrowing costs included in the cost of the investment asset in respect of borrowings from related companies (Sun Pharma (Netherlands) B.V.)</i>	42241	( 1 183 )	( - )
other payments	4229	( - )	( - )
<b>Net cash flows from investing activities</b>	4200	( 96 511 )	( 236 769 )
<b>Cash flows from financing activities</b>			
<b>Receipts – total</b>	4310	1 190 000	120 000
including:			
borrowings	4311	1 190 000	120 000
<i>including borrowings from related companies (Sun Pharma (Netherlands) B.V.)</i>	43111	60 000	120 000
contributions of owners (members)	4312	-	-
issue of shares, increase in ownership interest	4313	-	-
issue of bonds, promissory notes and other debt securities, etc.	4314	-	-
other receipts	4319	-	-

Narrative	Code	for the year	
		20 19	20 18
<b>Payments – total</b>	<b>4320</b>	<b>( 1 121 270 )</b>	<b>( - )</b>
including:			
to owners (members) due to the fact of share buy-back or cessation of membership	4321	( - )	( - )
dividend payments or other distribution of profit to owners (members)	4322	( - )	( - )
redemption (buy-back) of promissory notes and other debt securities, loan repayment	4323	( 1 121 270 )	( - )
<i>including repayment of loans from related companies (Sun Pharma (Netherlands) B.V.)</i>	43231	( 1 091 270 )	( - )
other payments	4329	( - )	( - )
<b>Net cash flows from financing activities</b>	<b>4300</b>	<b>68 730</b>	<b>120 000</b>
<b>Net cash flows for the reporting period</b>	<b>4400</b>	<b>( 97 105 )</b>	<b>( 1 106 )</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>4450</b>	<b>123 160</b>	<b>123 322</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>4500</b>	<b>25 312</b>	<b>123 160</b>
Effect of changes in the Russian ruble exchange rate	4490	( 743 )	944

General Director \_\_\_\_\_ (signature) D.V. Boldov \_\_\_\_\_ (printed name) Chief Accountant \_\_\_\_\_ (signature) T.Y. Tefanova \_\_\_\_\_ (printed name)

20 March 20 20

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

**Biosintez**  
**Public Joint Stock Company**

Notes  
to the Financial Statements for the year ended  
31 December 2019

Penza



**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

**Contents**

<b>1. BASIC INFORMATION .....</b>	<b>4</b>
1.1. GENERAL INFORMATION .....	4
1.2. BASIC ACTIVITIES.....	4
1.3. BRANCHES AND REPRESENTATIVE OFFICES .....	5
1.4. AUTHORIZED (SHARE) CAPITAL STRUCTURE, KEY SHAREHOLDERS (MEMBERS) .....	5
1.5. GOVERNANCE BODIES .....	6
1.6. INFORMATION ABOUT THE MANAGEMENT BODIES.....	6
1.7. INFORMATION ABOUT THE REGISTRAR AND THE AUDITOR .....	6
1.8. SUBSIDIARIES AND ASSOCIATES .....	7
<b>2. BASIS OF PRESENTATION .....</b>	<b>7</b>
2.1. BASIS OF PRESENTATION .....	7
2.2. CORRECTION OF ERRORS IN ACCOUNTING RECORDS AND FINANCIAL STATEMENTS .....	7
2.3. EFFECT OF CHANGES IN ACCOUNTING POLICIES .....	8
2.4. ACCOUNTING SYSTEM AND ACCOUNTING PROCEDURES .....	8
2.5. STOCKTAKING OF ASSETS AND LIABILITIES .....	8
2.6. ACCOUNTING FOR ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES.....	8
2.7. INTANGIBLE ASSETS .....	9
2.8. RESEARCH AND DEVELOPMENT RESULTS .....	10
2.9. FIXED ASSETS.....	10
2.10. CONSTRUCTION IN PROGRESS.....	11
2.11. FINANCIAL INVESTMENTS .....	12
2.12. INVENTORIES .....	13
2.13. WORK IN PROGRESS AND FINISHED PRODUCTS .....	13
2.14. SETTLEMENTS WITH DEBTORS AND CREDITORS.....	13
2.15. ADDITIONAL CAPITAL .....	14
2.16. LOANS AND BORROWINGS .....	14
2.17. SPECIAL-PURPOSES FINANCING AND GOVERNMENT ASSISTANCE .....	14
2.18. ESTIMATED LIABILITIES, CONTINGENT LIABILITIES AND CONTINGENT ASSETS.....	15
2.19. PROVISIONS.....	16
2.20. LEASED FIXED ASSETS.....	16
2.21. INVENTORIES ACCEPTED FOR CUSTODY .....	17
2.22. WRITTEN-OFF DEBT OF INSOLVENT DEBTORS.....	17
2.23. COLLATERAL AND SURETY RECEIVED AND GIVEN IN SECURITY FOR LIABILITIES AND PAYMENTS.....	17
2.24. INCOME RECOGNITION .....	17
2.25. EXPENSE RECOGNITION .....	18
2.26. HEDGING OF FINANCIAL RISKS .....	19
2.27. DEFERRED TAXES.....	19
2.28. EARNINGS PER SHARE .....	19
2.29. RELATED PARTIES .....	19
2.30. SEGMENT INFORMATION .....	20
2.31. SUBSEQUENT EVENTS.....	20
<b>3. OPENING AND COMPARATIVE DATA.....</b>	<b>21</b>
<b>4. NOTES TO SIGNIFICANT ITEMS OF THE BALANCE SHEET .....</b>	<b>24</b>
4.1. INTANGIBLE ASSETS .....	24
4.2. RESEARCH AND DEVELOPMENT RESULTS .....	25
4.3. FIXED ASSETS.....	27
4.4. CAPITAL INVESTMENTS IN PROGRESS .....	31
4.5. LONG-TERM FINANCIAL INVESTMENTS .....	34
4.6. DEFERRED TAX ASSETS .....	36
4.7. OTHER NON-CURRENT ASSETS .....	36
4.8. INVENTORIES .....	36
4.9. ACCOUNTS RECEIVABLE .....	37
4.10. CASH AND CASH EQUIVALENTS .....	40
4.11. OTHER CURRENT ASSETS.....	41

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

4.12.	SHARE CAPITAL.....	41
4.13.	REVALUATION OF NON-CURRENT ASSETS .....	42
4.14.	RESERVE CAPITAL.....	42
4.15.	RETAINED EARNINGS (UNCOVERED LOSS).....	42
4.16.	DEFERRED TAX LIABILITIES .....	43
4.17.	LOANS AND BORROWINGS.....	43
4.18.	ACCOUNTS PAYABLE.....	48
4.19.	GOVERNMENT ASSISTANCE.....	49
4.20.	ESTIMATED LIABILITIES, CONTINGENT LIABILITIES AND CONTINGENT ASSETS .....	49
4.21.	ACCOUNTING FOR HEDGE TRANSACTIONS.....	50
4.22.	LEASED FIXED ASSETS.....	50
4.23.	OFF-BALANCE SHEET INVENTORIES.....	52
4.24.	COLLATERAL AND SURETY ISSUED AND RECEIVED .....	52
<b>5.</b>	<b>NOTES TO THE STATEMENT OF FINANCIAL RESULTS.....</b>	<b>53</b>
5.1.	INCOME FROM ORDINARY ACTIVITIES .....	53
5.2.	EXPENSES FOR ORDINARY ACTIVITIES.....	53
5.3.	OTHER INCOME AND EXPENSES .....	55
5.4.	INCOME TAX.....	56
5.5.	DISCLOSURE OF INFORMATION ABOUT EARNINGS PER SHARE. ....	57
<b>6.</b>	<b>OTHER NOTES.....</b>	<b>57</b>
6.1.	INFORMATION ABOUT DISCONTINUED OPERATIONS .....	57
6.2.	RELATED PARTIES .....	57
6.3.	REMUNERATION TO KEY MANAGEMENT PERSONNEL.....	61
6.4.	SUBSEQUENT EVENTS.....	61
6.5.	TAX LEGISLATION .....	61

17

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

These notes form an integral part of the 2019 financial statements of Biosintez PJSC (the "Company") prepared in accordance with the legislation of the Russian Federation.

**1. Basic information**

**1.1. General information**

Biosintez Public Joint Stock Company (the Company), abbreviated as Biosintez PJSC, INN/KPP 5834001025/583401001, was registered on 26 November 1992 by the Administration of the Zheleznodorozhny District of Penza, Resolution No. 414.

The registration entry was made in the Unified State Register of Legal Entities by Inspectorate of the Ministry of Taxes and Levies for the Zheleznodorozhny District of Penza on 11 September 2002 under primary registration number 1025801102502.

Registered and mail address: 4 Druzhby St., Penza, 440033, Russian Federation.

The Company's headcount:

As at 31/12/2017	As at 31/12/2018	As at 31/12/2019
1573	1340	1201

**1.2. Basic activities**

In 2018-2019, the Company was engaged in the following economic activities:

1. Drug manufacturing;
2. Pharmaceutical substance manufacturing;
3. Transport services;
4. Sales of electricity on the wholesale market;
5. Other services;
6. Lease of property.

The Company operated under the following licences:

No.	Type of activity	Licensing authority	Date of issue	Series, number and term of the license
1	Licence to circulate narcotics, psychotropic substances and their precursors, and cultivate drug-yielding plants	Federal Service for Supervision of Healthcare	16/11/2017	ФC-99-03-000304, for an unlimited term
2	Licence for the use of explosive and chemically hazardous production facilities of hazard categories I, II and III	Federal Service for Ecological, Technological and Atomic Supervision	29/06/2016	BX-50-014598, for an unlimited term
3	Licence for the installation, maintenance and repair of fire safety devices of buildings and structures	Ministry of the Russian Federation for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters	01/11/2008	58-Б/00007, for an unlimited term
4	Licence for medical activities	Ministry of Healthcare of the Penza Region	16/09/2015	No. J1O-58-01-001631, for an unlimited term

18

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

No.	Type of activity	Licensing authority	Date of issue	Series, number and term of the license
5	Licence for drug manufacturing activities	Ministry of Industry and Trade of the Russian Federation	18/08/2017	No. 00290-ЛС, for an unlimited term
6	Licence for the use of infectious agents (unless this activity is performed for medical purposes) and genetically modified organisms of potential hazard grades 3-4 in closed systems	Office of the Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing for the Penza Region	21/02/2017	No. 58.02.02.001.Л.000 001.02.17, for an unlimited term
7	Licence for bus transportation of passengers and other persons	Ministry of Transport of the Russian Federation, Federal Service for Supervision in the Sphere of Transport	19/04/2019	No. AH-58-000144, for an unlimited term

### 1.3. Branches and representative offices

Biosintez PJSC has no branches or representative offices.

### 1.4. Authorized (share) capital structure, key shareholders (members)

The share capital of the Company, according to the Articles of Association, makes up RUB 286,283 as at 31/12/2019.

The Company's share capital is divided into:

- 214,712 ordinary personal uncertificated shares, each with the nominal value of RUB 1;
- 71,571 preferred personal uncertificated shares, each with the nominal value of RUB 1.

The Company's shareholders (members) as at 31 December 2019:

Narrative	Number of shares	Participation interest, %
SUN PHARMA (Netherlands) B.V.	286,283	100.0
<b>Total:</b>	<b>286,283</b>	<b>100</b>

The Company's shareholders (members) as at 31 December 2018:

Narrative	Number of shares	Participation interest, %
SUN PHARMA (Netherlands) B.V.	243,627	85.1
Heumann Pharma GmbH & Co. Generika KG, Germany	29,508	10.3
Other shareholders - legal entities	5,535	1.9
Other shareholders - individuals	7,613	2.7
<b>Total:</b>	<b>286,283</b>	<b>100</b>

The Company's shareholders (members) as at 31 December 2017:

Narrative	Number of shares	Participation interest, %
SUN PHARMA (Netherlands) B.V.	243,627	85.1
Heumann Pharma GmbH & Co. Generika KG, Germany	29,508	10.3
Other shareholders - legal entities	5,270	1.8
Other shareholders - individuals	7,878	2.8
<b>Total:</b>	<b>286,283</b>	<b>100</b>

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

**1.5. Governance bodies**

The General Meeting of Shareholders is the highest governance body of the Company.

The Board of Directors is responsible for the overall management of the Company, except for the issues in sole competence of the General Meeting of Shareholders in accordance with the Articles of Association.

The Board of Directors consists of 5 persons as at 31 December 2019:

No.	Full name	Position
1	Arun Kumar Rajput	(Chairman) Director of the Department, Business Development and Analytics Division, at JSC Ranbaxy
2	Arvind Kumar	Head of M&A at Sun Pharmaceutical Industries Ltd
3	Vivek Mittal	General Manager for M&A at Sun Pharmaceutical Industries Limited
4	Arvind Abrol	Director of the Department, Finance Division, at JSC Ranbaxy
5	Alexander Voloshinov	Senior Lawyer at JSC Ranbaxy

The sole executive body of the Company (the General Director) acting on the basis of the Company's Articles of Association administers the Company's day-to-day operations.

**Dmitry Boldov** is the General Director of the Company.

According to the Articles of Association, the remit of the sole executive body includes all matters associated with the managing of current activities of the Company, except for the issues referred to the remit of the Board of Directors.

**1.6. Information about the management bodies**

The Company's internal audit committee as at 31 December 2019:

N o.	Full name	Position
1	L.A. Manuilova	Chief Accountant at JSC Ranbaxy, Deputy Chief Accountant at Biosintez PJSC
2	Y.V. Khivantseva	Director for Personnel, Administration and Training in Russia at JSC Ranbaxy
3	A.A. Gorshenin	Head of the Legal Department at Biosintez PJSC

**1.7. Information about the registrar and the auditor**

JSC Reestr located at 20/1 Bolshoy Balkansky Per., Moscow, licence No. 10 – 000 – 1 – 00254 dated 13/09/2002, was the Company's registrar in the reporting year.

Regional branch in Penza: 47 Volodarskogo St., Penza

FBK, LLC located at 44/1, bldg 2AB, Myasnitskaya Street, Moscow, 101990 is the Company's auditor.

FBK, LLC is a member of the Self-regulatory organization of auditors Association "Sodruzhestvo" (SRO AAS). Number in the register of self-regulatory organization of auditors: Certificate of membership in the self-regulatory organization of auditors Association "Sodruzhestvo" No. 7198, number in the register – 11506030481.

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

**1.8. Subsidiaries and associates**

Biosintez PJSC has no subsidiaries or associates.

**2. Basis of presentation**

**2.1. Basis of presentation**

These financial statements of the Company have been prepared in compliance with the applicable legislation of the Russian Federation.

The Company keeps accounting records in compliance with the requirements of Federal Law dated 6 December 2015 No.402-FZ "On Accounting", Russian Accounting Regulations approved by Orders of the Russian Ministry of Finance, and other laws and regulations of the Russian Federation applicable to accounting.

The accounting policies for 2019 were approved by the General Director's order No. 2203 dated 29 December 2017.

The Company's accounting policies rely on the following basic assumptions:

- assets and liabilities of the Company are separated from assets and liabilities of the Company's owner and assets and liabilities of other entities (separate entity assumption);
- the Company will continue its operations for the foreseeable future and has no intention or need to be liquidated or to cease operations and, therefore, liabilities will be discharged in accordance with the established procedure (going concern assumption);
- the accounting policies in place are applied consistently from one reporting period to another (accounting continuity assumption);
- economic events of the Company are related to the reporting period (and are therefore recognised in accounting records) when they actually took place without reference to the time of actual receipt or payment of cash connected with these events (accrual principle assumption).

The Company's accounting policies provide for the observance of the requirements of completeness, prudence, substance over form, consistency and rationality.

**2.2. Correction of errors in accounting records and financial statements**

The rules for correcting errors and disclosing information about errors in accounting and reporting of organizations that are legal entities under the laws of the Russian Federation (except for credit institutions and state (municipal) institutions (hereinafter referred to as "entities") are set forth by RAR 22/2010 "Correction of Errors in Accounting and Reporting" approved by Order of the Russian Ministry of Finance No. 63n dated 28 June 2010.

An error is deemed material, if, individually or in the aggregate with other errors for the same reporting period, it can influence the economic decisions of users taken on the basis of the financial statements for this reporting period. An entity determines whether an error is material or not based on both the amount of error and the type of affected item(s) in the financial statements.

Identified errors and their implications are subject to mandatory correction.

An error of the reporting year, revealed before the end of this year, is corrected by entries in the corresponding accounts in the month of the reporting year when the error was detected.

An error of the reporting year revealed after the end of this year, but before the date of signing of the financial statements for this year, is corrected by entries in the corresponding accounts for December of the reporting year (the year for which the annual financial statements are prepared).

A significant error of the previous reporting year, revealed after the date of signing of the financial statements for this year, but before the date of submission of such statements to shareholders of a joint-stock company, members of a limited liability company, a state authority, a local government or other body authorised to exercise the owner's rights, etc., shall be corrected according to the procedure provided for by clause 6 of

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

this Regulation. If the specified financial statements were submitted to any other users, it should be replaced with the financial statements in which the revealed significant error is corrected (the restated financial statements).

A significant error of the previous reporting year, revealed after the presentation of the financial statements for this year to shareholders of a joint-stock company, members of a limited liability company, a state authority, a local government or other body authorized to exercise the owner's rights, etc., but before the approval date of such statements in accordance with the procedure established by the legislation of the Russian Federation, shall be corrected in the manner prescribed by clause 6 of RAR 22/2010. At the same time, the restated financial statements disclose information that these financial statements replace initially presented financial statements, as well as grounds for the preparation of the restated financial statements.

The restated financial statements must be sent to all addresses to which the original financial statements were sent.

The Company discloses the following information about material errors relating to the previous reporting periods which were corrected in the current reporting period in the notes to the annual financial statements:

- 1) nature of an error;
- 2) amount of restatement for each item of the financial statements for each preceding reporting period to the extent practicable;
- 3) amount of restatement for basic and diluted earnings (loss) per share;
- 4) amount of restatement for the opening balance of the earliest comparative period presented.

The influence of corrected errors on the numerical indicators in the financial statements is shown in Section 3 of these Notes.

### **2.3. Effect of changes in accounting policies**

There were no significant amendments in the accounting policies for 2019 as compared to 2018 which could have affected the Company's financial statements.

### **2.4. Accounting system and accounting procedures**

The Accounting Department headed by the Chief Accountant is responsible for accounting at Biosintez PJSC. The bookkeeping and accounting is automated by:

- Parus-enterprise software that brings activities of all departments into the single information space;
- 1C: Salary and Personnel Administration software for payroll management.

### **2.5. Stocktaking of assets and liabilities**

The procedure for stocktaking of assets and liabilities and reflection of its findings in the financial statements is stipulated in the Guidelines for Accounting and Reporting in the Russian Federation approved by Order No. 34n dd. 29 July 1998 of the Ministry of Finance of the Russian Federation as well as by the Guidelines for Stocktaking of Assets and Financial Liabilities approved by order No. 49 dd. 13 June 1995 of the Ministry of Finance of the Russian Federation.

Stocktaking of fixed assets is carried out once in three years under the Company's Accounting Policies. The previous stocktaking of fixed assets was carried out in 2019.

### **2.6. Accounting for assets and liabilities denominated in foreign currencies**

Assets and liabilities denominated in foreign currencies are accounted for and translated to the currency of the Russian Federation – Russian rubles – in compliance with the requirements of Russian Accounting Regulation "Accounting for Assets and Liabilities Denominated in Foreign Currency" (RAR 3/2006) as approved by Order of the Ministry of Finance of the Russian Federation No. 154n dated 27 November 2006.

The exchange rates set by the Central Bank of Russia as at the reporting date are given below:

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

Currency	Exchange rate as at 31/12/2019	Exchange rate as at 31/12/2018	Exchange rate as at 31/12/2017
USD	61.9057	69.4706	57.6202
EUR	69.3406	79.4605	68.8668

## 2.7. Intangible assets

To account for assets as intangible assets, the Company applies criteria stipulated in Russian Accounting Regulation "Accounting for Intangible Assets" (RAR 14/2007) approved by order No. 153n dd. 27 December 2007 of the Ministry of Finance of the Russian Federation.

### Measurement

Intangible assets are recognised at:

- actual acquisition costs and the costs of making such assets suitable for use;
- actual costs of producing an intangible asset by the Company using its own resources.

No revaluation of intangible assets was made in 2018 and 2019.

The useful life of an intangible asset is revised on an annual basis. If there is a significant change over a period during which the entity intends to use the asset, its useful life is to be adjusted. The respective adjustments, if any, are recognised in accounting records and financial statements as changes in accounting estimates.

As concerns an intangible asset with an indefinite useful life, the entity considers whether there are factors showing inability to reliably determine the useful life of such asset. If such factors cease to exist, the entity revises the useful life of such intangible asset and the amortisation method used. The respective adjustments, if any, are recognised in accounting records and financial statements as changes in accounting estimates.

The amortisation method of an intangible asset is revised on an annual basis. Should the expected economic benefit from the use of an intangible asset change significantly, the amortisation method should be changed accordingly. The respective adjustments, if any, are recognised in accounting records and financial statements as changes in accounting estimates.

Intangible assets are shown in the Balance Sheet less accrued amortisation.

### Amortisation

Amortisation of intangible assets is accrued monthly on a straight-line basis.

The company selects an amortisation method for an intangible asset based on the expected economic benefits from its use, including the financial result from a possible sale of the said asset. In case the expectations of economic benefits from the use of the intangible asset are not reliable, amortisation charges for such asset are determined on a straight-line basis.

### When applying the straight-line method, monthly amortisation is calculated

based on the actual (historical) cost of an intangible asset during its whole useful life.

### The useful life of an intangible asset is determined on the basis of:

- validity period of the entity's rights to intellectual property or brand identity and the period of its control over such asset;
- an expected period of using the asset during which the entity intends to gain economic benefits.

The useful lives of intangible assets are determined and revised by the Commission based on the order of the General Director.



## Biosintez PJSC

### Notes to the Financial Statements for the year ended 31 December 2019

(in thousand Russian Rubles unless otherwise stated)

#### 2.8. Research and development results

Scientific and research, design and experimental and technological expenses are incurred by the Company in accordance with Russian Accounting Regulation "Accounting for Scientific and Research, Design and Experimental and Technological Expenses" (RAR 17/02) approved by Order of the Ministry of Finance of the Russian Federation No. 115n dated 19 November 2002.

Scientific and research works are connected to scientific and experimental works as determined by Federal Law No. 127-FZ dated 23 August 1996 "On Science and State Scientific Policy".

Expenses for each scientific work are written off on a straight-line basis.

The Company independently determines the period over which R&D expenses are written off based on the expected period of use of the R&D results during which the Company can enjoy economic benefits (income).

#### 2.9. Fixed assets

The Company initially recognises fixed assets in accordance with the criteria specified in Russian Accounting Regulation "Accounting for Fixed Assets" (RAR 6/01) approved by Order of the Russian Ministry of Finance No. 26n dated 30 March 2001, namely:

- a) an asset is meant to be used in production, performance of works or services, for management needs or given out for temporary possession and use or for temporary use for a fee;
- b) an asset will be used during a long period of time, i.e. a period exceeding 12 months or a normal operating cycle if it exceeds 12 months;
- c) an asset is not supposed to be later resold;
- d) an asset is able to bring economic benefits (income) in the future.

Assets which meet the above-said criteria and cost no more than RUB 40 thousand per unit are reflected in accounting records and financial statements as inventories. In order to ensure safety of these assets during manufacturing or in operation, off-balance sheet (quantitative) accounting is carried out.

Real estate objects taken into operation and actually used regardless of documentary evidence of filing of documents for registration of rights to real estate and obtaining such rights are taken into account as fixed assets.

Fixed assets are reflected in the Balance Sheet at their replacement cost less accrued depreciation.

##### Title to land plots

Land plots the title to which has been registered are reflected as fixed assets. No depreciation is accrued on such assets.

Certain land plots on which the Company's branches are located are leased.

##### Measurement of fixed assets at recognition

The historical cost of purchased fixed assets is treated as the actual amount of construction and acquisition expenses, net of refundable taxes.

Expenses (interest) on loans and borrowings raised for acquisition or creation of investment assets are included into the cost of the investment assets. Investment assets include construction in progress which will be further recognised as fixed assets.

##### Subsequent measurement

The historical cost of fixed assets is subject to amendment in case of completion, additional equipment, reconstruction, upgrading, partial liquidation and revaluation of fixed assets.

The Company does not perform revaluation of fixed assets.

##### Depreciation

Depreciation is accrued using the following methods:

- proportional to the output - for production lines (66 items);
- straight-line method - for other fixed assets.

The Company's commission decides which method to apply during the whole useful life.

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

Annual depreciation charges are calculated as follows:

- straight-line method - based on the historical or current (replacement) cost (in case of revaluation) of a fixed asset and the depreciation rate calculated based on the asset's useful life;
- proportional to the output - depreciation is based on the output in the reporting period and the ratio of the historical cost of a fixed asset and expected output for the whole useful life.

During the reporting year, the depreciation charges for fixed assets were accrued on a monthly basis, irrespective of the applied method of accrual, in an amount of 1/12 of the annual charge.

Used fixed assets bought by the Company are depreciated using the straight-line method based on the net book value of the assets and the remaining useful lives.

The useful life of a fixed asset is determined by the Company at its recognition for accounting purposes.

For fixed assets entered in books before 1 January 2002, the Company applies useful lives based on the depreciation rates approved by Resolution No. 1072 of the Council of Ministers of the USSR dated 22 October 1990.

For fixed assets entered in books after 1 January 2002, the Company applies useful lives approved by Regulation of the Government of the Russian Federation No. 1 dated 1 January 2002.

The useful lives accepted by the Company for groups of fixed assets are as follows.

Group of fixed assets	Useful lives (number of years) of assets recognised	
	before 01/01/2002	after 01/01/2002
Buildings	10-125	15-83
Structures	15-50	7-20
Transfer devices	12-50	5-20
Machinery and equipment	2-30	1-30
Transport vehicles	5-15	4-10
Production and maintenance tools	5-30	3-25

Disposal of fixed assets

Income and expenses from the sale or disposal of fixed assets are to be included in other income and expenses in the Company's Statement of Financial Results.

Maintenance and repair costs

The costs of repair and maintenance are recognised when incurred. Actual costs associated with current and extraordinary repairs of fixed assets are included in the cost of products (works, services) upon completion of works.

**2.10. Construction in progress**

In accordance with the Guidelines for Accounting and Reporting in the Russian Federation approved by the Ministry of Finance of the Ministry of Finance of the Russian Federation No. 34n dated 29 July 1998, in-progress capital investments are expenses for the construction and erection works, acquisition of buildings, equipment, vehicles, tools, instruments, other long use tangible assets, other capital works and expenses (design, exploration, drilling works, land allotment expenses etc.).

In-progress capital investments are reflected in the balance sheet at the actual costs incurred by the organisation.

Expenses for "idle mode" commissioning activities to make assets ready for use carried out before assets are approved by the working commission are recognised as capital investments on account 08.

Expenses directly connected with "under pressure" commissioning activities are recognised as capital investments on account 08 if:

- they are provided by the design estimate documentation and the technological process and were not incurred for trial production;
- they were incurred before the working commission approves the asset and before KC-14 and OC-1

25

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

certificates are issued.

If any of the above conditions are not met, expenses for "under pressure" commissioning activities are recognised on expense accounts and included in the cost of products.

## **2.11. Financial investments**

In accordance with the requirements of Russian Accounting Regulation "Accounting for Financial Investments" (RAR 19/02) approved by Order of the Ministry of Finance of the Russian Federation No. 126n dated 10 December 2002, financial investments should be presented in financial statements as short-term or long-term depending on their maturity.

It is necessary to provide information about cash equivalents and financial investments acquired for resale in the near term, for example:

In accordance with clause 5 of Russian Accounting Regulation "Statement of Cash Flows" (RAR 23/2011) approved by Order of the Ministry of Finance of the Russian Federation No. 11n dated 2 February 2011, cash equivalents are highly liquid financial investments that are readily convertible to known amounts of cash with insignificant risk of change in value: call deposits, promissory notes of OJSC Sberbank Russia, OJSC Bank VTB, OJSC Gazprombank, OJSC Gazprom acquired to make settlements within 3 months after their acquisition.

In accordance with clause 9 sub-clause 3) of Russian Accounting Regulation "Statement of Cash Flows" (RAR 23/2011) approved by Order of the Ministry of Finance of the Russian Federation by Order No. 11n dated 2 February 2011, financial investments acquired for resale in the near term comprise financial investments that are sold or settled within 3 months after their acquisition, except for financial investments treated as cash equivalents.

Financial investments are accounted for in accordance with the requirements of Russian Accounting Regulation "Accounting for Financial Investments" (RAR 19/02) approved by Order of the Russian Ministry of Finance No. 126n dated 10 December 2002.

The Company excludes from financial investments:

- interest-free promissory notes of Russian banks. Such assets are treated as cash equivalents on a separate sub-account to account 76 (absent in the reporting and comparative periods);
- interest-free promissory notes and issued interest-free loans are recognised as other accounts receivable and treated on separate sub-accounts to accounts 73 and 76.
- promissory notes issued by buyers of the Company's goods, work or services and received by the Company from the issuer in settlement for these goods, works or services. Such assets are presented in accounting records and financial statements as trade receivables secured with promissory notes received and treated on a separate sub-account to account 62 (absent in the reporting and comparative periods);
- acquired accounts receivable that cannot bring proceeds to the Company. Such assets are treated as other accounts receivable on a separate sub-account to account 76 (absent in the reporting and comparative periods).

Financial investments are carried at cost. The classification of financial investments as long-term or short-term is based on the Company's intentions regarding their further use and contractual terms.

Upon the disposal of an asset recognised as a financial investment the current market value of which cannot be determined, its cost is determined on the basis of the historical cost of each financial investment in the books.

In line with the amendments to the Guidelines for Accounting and Reporting in the Russian Federation No. 34n and also in accordance with RAR 21/2008 "Changes in Accounting Estimates" approved by Order of the Ministry of Finance of the Russian Federation No. 106n dated 6 October 2008, provisions for impairment of financial investments, as well as other provisions refer to estimated provisions.

When deciding whether to establish a provision for impairment of financial investments, the Company assesses not only the current situation, but also possible future economic benefits from further ownership of such financial investment.

Impairment of financial investments is assessed based on the financial statements of the counterparty/market value of such asset for at least two reporting periods.

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

Highly liquid deposits with three-month maturity or less that are readily convertible to known amounts of cash and are only exposed to an insignificant risk of changes in value are treated in B/S line "Cash and cash equivalents".

**2.12. Inventories**

Inventories are accounted for in accordance with Russian Accounting Regulation "Accounting for Inventories" (RAR 5/01) approved by order No. 44n dated 9 June 2001 of the Ministry of Finance of the Russian Federation.

Inventories are accounted for at their actual cost. The actual cost of inventories acquired for consideration is the amount of actual expenses for acquisition less value added-tax and other refundable taxes.

Inventories when issued to production or disposed of are measured at unit cost.

Special clothing, irrespective of its useful life, is reported within current assets.

Inventories pledged according to RAR 8/2010 "Estimated Liabilities, Contingent Liabilities and Contingent Assets" are contingent liabilities which have to be disclosed in section 4.20 hereof, based on the quantity and the cost as of the reporting date as per the accounting records.

In line with the amendments to the Guidelines for Accounting and Reporting in the Russian Federation No. 34n and also in accordance with RAR 21/2008 "Changes in Accounting Estimates" approved by Order of the Ministry of Finance of the Russian Federation No. 106n dated 6 October 2008, inventory impairment provisions, as well as other provisions refer to estimated provisions.

Inventories that are obsolete, or have lost their original quality in full or in part, or the current market value (or sales value) of which has reduced, are shown in the balance sheet as of the end of the reporting year less inventory impairment provision. The inventory impairment provision is formed against profit or loss of the company in the amount of the difference between the current market value and the actual cost of inventories, provided that the latter exceeds the current market value.

**2.13. Work in progress and finished products**

Work in progress is measured at cost, excluding administrative and selling expenses. Administrative and selling expenses are recognised in full in the statement of financial results on a monthly basis as expenses from ordinary activities.

Finished products reflect products finished during production that have been tested and accepted, completed with all parts in accordance with the requirements of relevant standards. Finished products are measured at direct actual production cost, excluding administrative and selling expenses.

**2.14. Settlements with debtors and creditors**

Settlements with debtors and creditors are reflected in the financial statements in the amounts based on contract terms and source documents.

Accounts receivable with expired limitation period and other doubtful debts are written off under each liability based on stocktaking data and written substantiation, and charged to profit or loss.

Receivables and payables are classified as short-term or long-term based on the terms of existing contracts, usual business practice and intentions of the Company.

Overdue receivables from buyers and customers which are not repaid within the time limits stipulated in contracts and are not properly secured with relevant guarantees or otherwise are recognised exclusive of bad debt provisions. Such provisions represent the management's conservative estimate of the part of debt which might not be repaid. Bad debt provisions increase other expenses.

In line with the amendments to the Guidelines for Accounting and Reporting in the Russian Federation No. 34n and also in accordance with RAR 21/2008 "Changes in Accounting Estimates" approved by Order of the Ministry of Finance of the Russian Federation No. 106n dated 6 October 2008, bad debt provisions as well as other provisions refer to estimated provisions.

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

**2.15. Additional capital**

The additional capital includes:

- increase in the cost of non-current assets identified as a result of their revaluation;
- paid-in capital;
- a member's contribution to the Company's assets.

When fixed assets are disposed of, the increase in their cost included in the additional capital is written off separately for each asset.

The increase in the cost of non-current assets identified as a result of their revaluation is included in the additional capital. The increase in the cost of non-current assets equal to the decrease in their cost in the previous reporting periods and charged against profit or loss as other expenses is charged against profit or loss as other income.

The decrease in the cost of non-current assets as a result of their revaluation is charged against profit or loss as other expenses. The decrease in the cost of non-current assets decreases the additional capital formed due to the increase in the cost of such assets in the previous reporting periods. If the decrease in the cost of assets exceeds the increase in their value that formed the additional capital as a result of revaluation carried out in the previous reporting periods, the amount in excess is charged against profit or loss as other expenses.

**2.16. Loans and borrowings**

Loans and borrowings are accounted for in accordance with Russian Accounting Regulation "Accounting for Loans and Borrowings" (RAR 15/2008) approved by order No.107n dd. 6 October 2008 of the Russian Ministry of Finance.

Loans and borrowings are subdivided into short-term (with a 12-month maturity period under the loan agreement) and long-term (with maturity over 12 months).

Long-term indebtedness is reclassified to short-term indebtedness depending on the maturity period left.

Expenses for obtained loans and borrowings are recognised when incurred in the amount of payments due under concluded contracts.

Outstanding interest is shown in the financial statements as long-term or short-term indebtedness based on the maturity date set in the loan contract.

Borrowing costs are recognised as other expenses, except for such their part which is to be included into the cost of an investment asset, unless otherwise set forth herein.

**2.17. Special-purposes financing and government assistance**

Government assistance is accounted for in accordance with the requirements of Russian Accounting Regulation "Accounting for Government Assistance" (RAR 13/2000) approved by Order of the Russian Ministry of Finance No. 92n dated 16 October 2000.

Special-purpose funds (including those received as government assistance), including resources other than cash, are recognised if the following conditions are met:

1. It is certain that the conditions under which these funds are allocated will be met by the Company. This may be confirmed by concluded agreements, approved or publicly announced decisions, feasibility studies, approved design estimate documentation etc.
2. It is certain that these funds will be received. This may be confirmed by budget financing targets approved in accordance with the established procedure (for public funds), notices of disposable funds, budget obligation limits, resource acceptance acts and other respective documents.

Special-purpose funds are recognised as special-purpose financing and accounts receivable related to these funds.

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

Analytical accounting for special-purpose financing is maintained by purposes of such funds, types of projects and financing programmes, types of special-purpose financing (broken down by sources of funds).

Funds are written off from the special-purpose financing account on a regular basis:

1. Special-purpose funds for capital expenses - during the useful life of non-current assets subject to depreciation or during the period of the recognition of expenses related to meeting conditions for budget funds allocation for the acquisition of non-current assets not subject to depreciation according to existing rules;
2. Special-purpose funds for current expenses - in the periods of the recognition of expenses for which funds are allocated. Special-purpose financing is recognised as deferred income when inventories are recognised, payroll is accrued and other expenses of similar nature are incurred and later charged to income of the reporting period when inventories are released in operation, payroll is accrued and other expenses of similar nature are incurred.

**2.18. Estimated liabilities, contingent liabilities and contingent assets.**

According to Russian Accounting Regulation "Estimated Liabilities, Contingent Liabilities and Contingent Assets" (RAR 8/2010) approved by Order of the RF Ministry of Finance dd. 13 December 2010, No. 167n, the Company sets up the following provisions for future expenses, shown as estimated liabilities:

- provision for vacation payments (including social insurance and social security payments);
- provision for scheduled settlements with contractors;
- provision for discounts, bonuses and credit notes to customers.

Information about these estimated liabilities is disclosed in section 4.20 hereof.

Provisions for various amounts are credited from account 96 "Provisions for future expenses" and debited to the accounts used to treat production costs, sales expenses and other expenses.

Information about estimated liabilities, contingent liabilities and contingent assets in financial statements is reported in compliance with Russian Accounting Regulation "Estimated Liabilities, Contingent Liabilities" (RAR 8/2010) approved by Order No. 167n dd. 13 December 2010 of the Ministry of Finance of the Russian Federation.

An estimated liability is recognised in the accounting records of the Company in the amount representing the most reliable monetary estimate of expenses required for this liability settlement. The most reliable estimate of expenses is an amount immediately required for liabilities performance (settlement) as of the reporting date or for liabilities transfer to another person as of the reporting date.

A contingent asset arises for the Company as a result of past events in its business activity, when the asset existence with the Company as of the reporting date depends on occurrence (non-occurrence) of one or several future uncertain events beyond the Company's control.

A contingent liability arises for the Company as a result of past events in its business activity, when the liability existence with the Company as of the reporting date depends on occurrence (non-occurrence) of one or several future uncertain events beyond the Company's control.

Contingent liabilities also include estimated liabilities not recognised in the accounting records as of the reporting date, due to nonfulfillment of conditions set forth in clause 5 paragraphs "б" and (or) "в" of RAR 8/2010.

A liability with uncertain value and/or maturity (hereinafter - estimated liability) may arise:

- a) pursuant to laws, regulations, court decisions and agreements;
- b) as a result of the entity's actions which due to the established past practice or the entity's announcements show other persons that the entity assumes certain liabilities and, consequently, such persons have reasonable expectations that the entity will fulfil such liabilities.

An estimated liability is entered in books when all of the following conditions are simultaneously met:

- a) the entity has a liability as a result of past events which fulfilment the entity cannot avoid. In case the entity has doubts as to the existence of such liability, it recognises an estimated liability provided that based on the

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

analysis of all circumstances and conditions, including expert opinions, it is more likely than not that the liability exists;

- b) economic benefits are likely to decrease as a result of the estimated liability fulfilment;
- c) the value of the estimated liability can be reliably measured.

**2.19. Provisions**

The Company sets up the following provisions:

- for doubtful accounts receivable;
- for impairment of financial investments;
- inventory impairment;
- for impairment of investments in non-current assets (construction in progress and R&D).

Provision for doubtful accounts receivable decreases the amount of accounts receivable from the current assets section of the Balance Sheet, while provision for identified doubtful advances paid to suppliers and contractors to create non-current assets decreases the book value of non-current assets.

To qualify receivables as doubtful, the following conditions are taken into account;

- receivables are not secured with a pledge, collateral, surety, bank guarantee or otherwise;
- the deadline for the fulfilment of the obligation has not been met by the debtor;
- the debtor's bankruptcy proceedings have been instituted.

If as at the reporting date the company is certain that the overdue accounts receivable will be settled, the accounts receivable are not recognised as doubtful and no provision is established. The provision amount is determined separately for each doubtful debt depending on the number of days of delay in payment: 45-90 days - 50% of the debt, over 90 days - 100% of the debt.

Provision for impairment of financial investments is established if there are indications of impairment based on the annual impairment check carried out using the data on the cost of net assets of issuers. If the current market value of the financial investments which impairment was covered by impairment provision increases, the respective part of the provision is charged to other income of the current reporting period.

Inventory impairment provisions decreases the book value of the respective group of inventories and is established based on the following criteria:

- shelf life expiration;
- rejection due to low quality;
- the remaining shelf life of 6 months or less;
- no movement within the period exceeding 1 year.

Provisions for impairment of materials are established for each batch in the amount of the total cost of inventories. The Company establishes (adjusts) provisions for impairment of raw materials and consumables (including transportation and procurement costs) at each reporting date of the interim financial statements. If the current market value of the tangible assets which impairment was covered by impairment provision increases, the respective part of the provision is charged to other income of the current reporting period.

Provisions for impairment of equipment to be installed in stock and capital investments in progress decrease the book value of capital investments in progress. Impairment is checked on a quarterly basis. If the current market value of the equipment to be installed and capital investments in progress which impairment was covered by impairment provision increases, the respective part of the provision is charged to other income of the current reporting period.

Provision for impairment of R&D in progress decreases the book value of R&D in progress. Impairment is checked on a quarterly basis. If the current market value of the R&D in progress which impairment was covered by impairment provision increases, the respective part of the provision is charged to other income of the current reporting period.

**2.20. Leased fixed assets**

Fixed assets leased by the Company are debited to account 001 "Leased fixed assets" off-balance sheet in the amount:

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

- set forth in the contract;
- of the cadastral value of land plots.

**2.21. Inventories accepted for custody**

Inventories accepted for custody are treated on account 002 "Inventories accepted for custody" at the value set in the agreement. If there is no contractual value, the Company keeps quantitative records and performs measurement based on the value of similar inventories owned by the Company and market prices supported by documents.

**2.22. Written-off debt of insolvent debtors**

Accounts receivable written off to losses due to the expiration of the limitation period or due to the debtor insolvency are treated on account 007 "Indebtedness of insolvent debtors written off to losses" for 5 years.

**2.23. Collateral and surety received and given in security for liabilities and payments**

Collateral and surety in security for liabilities and payments received and given by the Company are recognised on the Company's accounts at the time of its commencement and until it is returned.

Collateral and surety received and given in security for liabilities and payments are measured depending on its type and terms and conditions of the underlying contracts.

Pledged property is treated on account 008 "Collateral and surety for liabilities received" and account 009 "Collateral and surety for liabilities issued", respectively. In addition, the pledged property value is disclosed according to contractual terms and conditions.

In case of the change in the primary liability, the pledged property value is to be proportionally amended, unless otherwise provided for by the contract.

**2.24. Income recognition**

Income is accounted for in compliance with Russian Accounting Regulation "Accounting for Corporate Income" (RAR 9/99) approved by order No. 32n dated 6 May 1999 by the Ministry of Finance of Russia.

Income, depending on its nature, conditions of incurrence and types of business are divided into:

- income from ordinary activities (sales proceeds);
- other income.

The Company's income denominated in foreign currency, provided that an advance, down payment or prepayment has been received, is recognised as an amount in rubles calculated at the exchange rate in effect on the date of translation of the received advance, down payment or prepayment to rubles (to the extent of the received advance, down payment or prepayment).

Income from ordinary activities includes:

- income from the sale of own-produced drugs (including for export)
- income from the sale of services of industrial and non-industrial nature;
- income from the sale of other goods;
- income from the lease of property and property rights.

Other income includes:

- income from participation in other entities;
- interest and other income on securities;
- proceeds from the sale of fixed assets, materials (inventories);
- proceeds from the sale of foreign currency;



## Biosintez PJSC

### Notes to the Financial Statements for the year ended 31 December 2019

(in thousand Russian Rubles unless otherwise stated)

- donated assets;
- materials and fixed assets identified based on stocktaking results;
- materials, fixed assets received during dismantling, disassembly of fixed assets;
- penalties, fines, forfeit penalties for breach of contract;
- receipts in payment for damages inflicted to the Company;
- proceeds arising as a consequence of extraordinary circumstances of business activity (natural disaster, fire, accident, nationalization, etc.);
- revenue from writing-off of accounts payable and accounts receivable with expired limitation period;
- amounts paid by a debtor towards a receivable previously written off;
- exchange differences;
- revenues of past years identified in the reporting year;
- other income.

#### 2.25. Expense recognition

Expenses are accounted for in compliance with Russian Accounting Regulation "Accounting for Corporate Expenses" (RAR 10/99) approved by order No. 33n dated 6 May 1999 of the Ministry of Finance of the Russian Federation.

Expenses, depending on their nature, conditions of their incurrence and types of business are divided into:

- expenses for ordinary activities;
- other expenses.

Expenses for ordinary activities include expenses connected to income from ordinary activities listed in clause 2.24. hereof.

Other expenses include expenses related to other income listed in clause 2.24. hereof and interest for the use of loans, property tax accrual, allocations to provisions, assets write-off, bank services, donation of assets and social expenses.

Accounting for expenses on works and services is maintained separately for direct expenses accumulated on the debit side of accounts 20 "Main production" and 23 "Auxiliary production" and indirect expenses recorded on the debit side of account 25 "General production expenses".

Administrative expenses are treated on account 26 "Administrative expenses" and reflected in line 2220 "Administrative expenses" of the Statement of Financial Results.

Selling expenses are treated on account 44 "Sales expenses" and reflected in line 2210 "Selling expenses" of the Statement of Financial Results.

Expenses in foreign currency or conventional units the Company has paid in advance or in payment of which the company has transferred an advance payment or a deposit are recognised in the accounting records of the company translated into rubles at an exchange rate effective as of the date of translation of the paid advance, deposit or prepayment into rubles (with regard to advance, deposit, prepayment).

In accordance with cl. 18.2 of RAR 9/99 and cl. 21.2 of RAR 10/99 and the Company's accounting policies, other income is presented in the Statement of Financial Results less expenses related to this income:

- exchange gains and losses;
- other income from the sale (disposal) of other assets, fixed assets and intangible assets and related other expenses;
- other income and expenses related to the increase and decrease of provisions of one type (for impairment of securities, impairment of inventories, bad debt provisions);
- income and expenses related to the purchase and sale of foreign currency;
- tare income and expenses;
- social income and expenses.

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

**2.26. Hedging of financial risks**

Accounting regulations do not provide for a specific method to account for hedge transactions.

At the same time, in accordance with clause 7 of Russian Accounting Regulation "Corporate Accounting Policies" (RAR 1/2008), in case accounting regulations do not specify accounting methods for certain accounting matters, in its accounting policies an entity shall develop an accounting method based on this and other accounting regulations, as well as International Financial Reporting Standards.

Therefore, hedge instruments and related economic events are accounted for based on IFRS 9 *Financial Instruments* or IAS 39 *Financial Instruments: Recognition and Measurement* enacted in Russia by Orders of the Ministry of Finance of the Russian Federation No. 133n dated 26 August 2016 and No. 217n dated 28 December 2016.

**2.27. Deferred taxes**

Deferred taxes are accounted for by the Company in compliance with Russian Accounting Regulation "Accounting for Corporate Income Tax Settlements" (RAR 18/02) approved by order No. 114n dd. 19 November 2002 of the Ministry of Finance of the Russian Federation.

The differences between accounting profit (loss) and taxable profit (loss) in the reporting period resulting from the use of different rules of income and expense recognition set forth by the accounting regulations and tax laws of the Russian Federation may be permanent and temporary.

Deferred tax assets and deferred tax liabilities are recognised on account 09 "Deferred tax assets" and account 77 "Deferred tax liabilities".

In the balance sheet homogeneous deferred tax assets and liabilities are not netted and presented as non-current assets and long-term liabilities, respectively.

**2.28. Earnings per share**

In accordance with the guidelines for disclosure of information about earnings per share approved by Order of the Ministry of Finance of the Russian Federation No. 29n dated 21 March 2000, a joint-stock company should disclose information about earnings per share in two figures: basic earnings (loss) per share, which reflects the part of earnings (loss) of the reporting period due to holders of ordinary shares, and diluted earnings (loss) per share, which reflects the possible decrease in the basic earnings (increase in the loss) per share in the following reporting period.

**2.29. Related parties**

Disclosure of related parties in financial statements shall be in compliance with Russian Accounting Regulation "Related Parties" (RAR 11/2008) approved by order No. 48n dd. 29 April 2008 of the Ministry of Finance of the Russian Federation.

Legal entities and (or) individuals capable of influencing the operations of the company compiling the financial statements, or whose activity can be affected by the company compiling the financial statements (related parties) can include:

- a) a legal entity and (or) an individual and a company compiling the financial statements, which are affiliated according to the legislation of the Russian Federation (RF Law dd. 22 March 1991, No. 948-1 "On Competition and Limitation of Monopolistic Activity in Commodities Markets");
- b) a legal entity and/or an individual registered as an individual entrepreneur and a reporting entity involved in joint business activities;
- c) a reporting entity and a non-governmental pension fund acting for the benefit of the employees of such entity or another entity related to the reporting entity.

## **Biosintez PJSC**

### **Notes to the Financial Statements for the year ended 31 December 2019**

**(in thousand Russian Rubles unless otherwise stated)**

#### **2.30. Segment information**

Segment information is disclosed in financial statements according to the requirements of Russian Accounting Regulation "Segment Information" (RAR 12/2010), as approved by Order of the Russian Ministry of Finance No. 143n dated 8 November 2001.

As the Company does not issue publicly placed securities, it does not disclose segment information in accordance with clause 2 of RAR 12/2010.

#### **2.31. Subsequent events**

Information about subsequent events in financial statements is reported in compliance with Russian Accounting Regulation "Subsequent Events" (RAR 7/98) approved by order No. 56n dd. 25 November 1998 of the Ministry of Finance of the Russian Federation.

A subsequent event is recognised as an economic event which might impact the Company's financial position and performance and which occurs between the reporting date and the date the financial statements for the reporting year are signed.

## Biosintez PJSC

### Notes to the Financial Statements for the year ended 31 December 2019

(in thousand Russian Rubles unless otherwise stated)

#### 3. Opening and comparative data

The data in the Balance Sheet as of 31 December 2018 and 31 December 2017 were formed by transferring data from the Balance Sheet for 2018.

The data in the Statement of Financial Results include data transferred from the respective lines of the Statement of Financial Results for 2018.

Items of the financial statements for the previous periods were restated in these financial statements as follows.

#### Balance Sheet as at 31 December 2017:

B/S item	Code	As at 31 December 2017 in the financial statements for the previous year	Restated figure as at 31 December 2017 in the current financial statements	Restatement amount	Reason for restatement
Research and development results	1120	8,953	49,722	+40,769	In the previous period, data were reported in separate lines. In the Balance Sheet for 2019 (period of 2017), they were included in the line "Research and development results" with the following breakdown
<i>Research and development results put into operation</i>	1121	-	8,953	+8,953	
<i>R&amp;D and intangible assets acquisition in progress</i>	1122	-	40,769	+40,769	
R&D and intangible assets acquisition in progress	11851	40,769	-	-40,769	
Fixed assets	1150	1,776,398	2,086,715	+310,317	In the previous period, data were reported in separate lines. In the Balance Sheet for 2019 (period of 2017), they were included in the line "Fixed assets" with the following breakdown
<i>Fixed assets put into operation</i>	1151	-	1,776,398	+1,776,398	
<i>In-progress capital investments in fixed assets</i>	1152	-	310,317	+310,317	
In-progress capital investments in fixed assets	11852	310,317	-	-310,317	
Accounts receivable (expected to be repaid beyond 12 months after the reporting date)	12301	76,806	-	-76,806	In the previous period, data were reported in separate lines. In the Balance Sheet for 2019 (period of 2017), they were included in the line "Accounts receivable" with the following breakdown
Accounts receivable (expected to be repaid within 12 months after the reporting date)	12302	1,015,289	-	-1,015,289	
<i>buyers and customers</i>	12303	736,677	-	-736,677	
<i>advances paid</i>	12304	63,519	-	-63,519	
Accounts receivable	1230	-	1,092,095	+1,092,095	
<i>Accounts receivable (expected to be repaid beyond 12 months after the reporting date)</i>	1231	-	76,806	+76,806	
<i>Accounts receivable (expected to be repaid within 12 months after the reporting date)</i>	1232	-	1,015,289	+1,015,289	
Deferred tax assets	1180	126,100	162,006	+35,906	Reclassification of tax differences related to accrual of provisions for impairment of inventories, R&D, payment of bonuses to customers from permanent to temporary differences (DTA)
Retained earnings (uncovered loss)	1370	320,284	356,190	+35,906	
Accounts payable:	1520	100,162	106,333	+ 6,171	Liabilities towards suppliers with untimely provided source documents
<i>Suppliers and contractors</i>	1521	29,963	36,134		
Estimated liabilities	1540	167,053	160,882	- 6,171	

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

**Balance Sheet as at 31 December 2018:**

B/S item	Code	As at 31 December 2018 in the financial statements for the previous year	Restated figure as at 31 December 2018 in the current financial statements	Restatement amount	Reason for restatement
Research and development results	1120	5,791	41,040	+35,249	In the previous period, data were reported in separate lines. In the Balance Sheet for 2019 (period of 2018), they were included in the line "Research and development results" with the following breakdown
<i>Research and development results put into operation</i>	1121	-	5,791	+5,791	
<i>R&amp;D and intangible assets acquisition in progress</i>	1122	-	35,249	+35,249	
R&D and intangible assets acquisition in progress	11851	35,249	-	-35,249	
Fixed assets	1150	2,146,459	2,251,810	+105,351	In the previous period, data were reported in separate lines. In the Balance Sheet for 2019 (period of 2018), they were included in the line "Fixed assets" with the following breakdown
<i>Fixed assets put into operation</i>	1151	-	2,146,459	+2,146,459	
<i>In-progress capital investments in fixed assets</i>	1152	-	105,351	+105,351	
In-progress capital investments in fixed assets	11852	105,351	-	-105,351	
Accounts receivable (expected to be repaid beyond 12 months after the reporting date)	12301	5,570	-	-5,570	In the previous period, data were reported in separate lines. In the Balance Sheet for 2019 (period of 2018), they were included in the line "Accounts receivable" with the following breakdown
Accounts receivable (expected to be repaid within 12 months after the reporting date)	12302	799,172	-	-799,172	
<i>buyers and customers</i>	12303	701,346	-	-701,346	
<i>advances paid</i>	12304	69,902	-	-69,902	
Accounts receivable	1230	-	804,742	+804,742	
<i>Accounts receivable (expected to be repaid beyond 12 months after the reporting date)</i>	1231	-	5,570	+5,570	
<i>Accounts receivable (expected to be repaid within 12 months after the reporting date)</i>	1232	-	799,172	+799,172	
<i>deposit</i>	12502	100,000	-	-	Line numbering was changed
<i>deposit</i>	1251	-	100,000		
Deferred tax assets	1180	181,155	226,694	+45,539	Reclassification of tax differences related to accrual of provisions for impairment of inventories, R&D, payment of bonuses to customers from permanent to temporary differences (DTA)
Retained earnings (uncovered loss)	1370	(132,826)	(87,287)	+45,539	
Accounts payable: <i>Suppliers and contractors</i>	1520 1521	160,670 80,606	168,321 88,257	+ 7,651	Liabilities towards suppliers with untimely provided source documents
Estimated liabilities	1540	162,086	154,435	- 7,651	

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

**Statement of Financial Results ("for the previous year"):**

Item of the Statement of Financial Results	Code	For 2018 in the financial statements for the previous year	Restated figure for 2018 in the current financial statements	Restatement amount	Reason for restatement
Other income	2340	45,572	37,729	-7,843	Rebates/bonuses to customers for the previous reporting period earlier accrued as an estimated liability decrease the estimated liability in the current period
Other expenses	2350	(300,774)	(292,931)	+7,843	
Permanent tax liabilities (assets)	2421	49,723	40,090	-9,633	Reclassification of tax differences related to accrual of provisions for impairment of inventories, R&D, payment of bonuses to customers from permanent to temporary differences (DTA)
Changes in deferred tax assets	2450	59,021	68,654	+9,633	
Net profit (loss)	2400	(454,595)	(444,962)	-9,633	

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

**4. Notes to significant items of the Balance Sheet**

**4.1. Intangible assets**

Information about the availability and movement of intangible assets for 2018-2019 is presented in the tables below.

**Movement of intangible assets for 2019**

Narrative	Code	As at 31/12/2018				Changes for the period						As at 31/12/2019		
		Historical cost	Accumulated amortisation and impairment losses	Net book value	Added	Disposed		Amortisation accrued	Impairment loss	Revaluation		Historical cost	Accumulated amortisation and impairment losses	Net book value
						Historical cost	Accumulated amortisation			Historical cost	Accumulated amortisation			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Intangible assets - TOTAL	1110	5,407	(3,207)	2,200		(13)	13	(303)				5,394	(3,497)	1,897
including														
Patents	1111	3,444	(1,560)	1,884				(232)				3,444	(1,792)	1,652
Trademark and service mark	1112	1,963	(1,647)	316		(13)	13	(71)				1,950	(1,705)	245

**Movement of intangible assets for 2018**

Narrative	Code	As at 31/12/2017				Changes for the period						As at 31/12/2018		
		Historical cost	Accumulated amortisation and impairment losses	Net book value	Added	Disposed		Amortisation accrued	Impairment loss	Revaluation		Historical cost	Accumulated amortisation and impairment losses	Net book value
						Historical cost	Accumulated amortisation			Historical cost	Accumulated amortisation			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Intangible assets - TOTAL	1110	5,407	(2,899)	2,508				(308)				5,407	(3,207)	2,200
including														
Patents	1111	3,444	(1,329)	2,115				(231)				3,444	(1,560)	1,884
Trademark and service mark	1112	1,963	(1,570)	393				(77)				1,963	(1,647)	316

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

Information about certain types of intangible assets as at reporting dates (actual (historical) cost without amortisation):

Narrative	Code	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
1	2	3	4	5
<b>intangible assets created by the company, TOTAL</b>	1110	5,394	5,407	5,407
including: Patents	1111	3,444	3,444	3,444
Trademark and service mark	1112	1,950	1,963	1,963
<b>Including: fully amortised intangible assets, TOTAL</b>		1,295	1,234	1,206
including: Trademark and service mark	1113	1,295	1,234	1,206

Information about useful lives and amortisation methods:

Narrative	As at 31 December 2019		As at 31 December 2018		As at 31 December 2017	
	useful life (in months)	amortisation method	useful life (in months)	amortisation method	useful life (in months)	amortisation method
1	2	3	4	5	6	7
Patents	97-226	straight-line	97-226	straight-line	97-226	straight-line
Trademark and service mark	100-122	straight-line	100-122	straight-line	100-122	straight-line

#### 4.2. Research and development results

Information about the availability and movement of scientific and research, design and experimental and technological expenses for 2018-2019 is presented in the below tables.



**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

**Availability and movement of R&D expenses for 2019**

Narrative	Code	At the beginning of the year			Changes for the period					At the end of the period		
		Historical cost	Part of the cost recognised in expenses	Net book value	Added	Disposed		Part of the cost recognised in expenses for ordinary activities	Part of the cost recognised in other expenses	Historical cost	Part of the cost recognised in expenses	Net book value
						Historical cost	Part of the cost recognised in expenses					
<b>R&amp;D - total</b>	<b>1121</b>	<b>13,757</b>	<b>(7,966)</b>	<b>5,791</b>	<b>2,224</b>	<b>(2,031)</b>	<b>2,031</b>	<b>(3,099)</b>		<b>13,950</b>	<b>(9,034)</b>	<b>4,916</b>
including:												
Manufacturing technologies for new pharmaceuticals	11211	13,757	(7,966)	5,791	2,224	(2,031)	2,031	(3,099)		13,950	(9,034)	4,916

**Availability and movement of R&D expenses for 2018**

Narrative	Code	At the beginning of the year			Changes for the period					At the end of the period		
		Historical cost	Part of the cost recognised in expenses	Net book value	Added	Disposed		Part of the cost recognised in expenses for ordinary activities	Part of the cost recognised in other expenses	Historical cost	Part of the cost recognised in expenses	Net book value
						Historical cost	Part of the cost recognised in expenses					
<b>R&amp;D - total</b>	<b>1121</b>	<b>14,677</b>	<b>(5,724)</b>	<b>8,953</b>		<b>(920)</b>	<b>920</b>	<b>(3,162)</b>		<b>13,757</b>	<b>(7,966)</b>	<b>5,791</b>
including:												
Manufacturing technologies for new pharmaceuticals	11211	14,677	(5,724)	8,953		(920)	920	(3,162)		13,757	(7,966)	5,791

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

**4.3. Fixed assets**

Information about the net book value of fixed assets is shown in the Company's Balance Sheet in line 1150 "Fixed assets".

The replacement cost of fixed assets was formed based on several revaluations. Mandatory revaluation of fixed assets was carried out by the Company pursuant to the Resolutions of the Russian Government from 1992 to 1997.

Since 1997 the Company has not carried out other revaluations of fixed assets.

Information about the replacement cost of fixed assets, accumulated depreciation and movement of fixed assets by groups in 2018-2019 is presented below:

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
*(in thousand Russian Rubles unless otherwise stated)*

**Availability and movement of fixed assets for 2019**

Narrative	Code	At the beginning of the year		Changes for the period						At the end of the period	
		Historical cost	Accumulated depreciation	Added	Disposed		Depreciation accrued	Revaluation		Historical	Accumulated depreciation
					Historical cost	Accumulated depreciation		Historical cost	Accumulated depreciation		
Fixed assets (excluding income-bearing investments in tangible assets) - total	1151	3,431,094	(1,284,635)	88,582	(42,822)	30,353	(150,940)			3,476,854	(1,405,222)
including:											
Buildings	11511	1,629,551	(397,383)	42,822	(18,514)	9,307	(40,205)			1,653,859	(428,281)
Structures and transfer devices	11512	71,266	(63,425)	2,717	(49)	47	(1,235)			73,934	(64,613)
Machinery and equipment	11513	1,669,344	(786,505)	37,037	(15,219)	11,959	(107,461)			1,691,162	(882,007)
Transport vehicles	11514	28,742	(25,884)	5	(8,516)	8,516	(1,367)			20,231	(18,735)
Production and maintenance tools	11515	13,761	(11,438)	6,001	(524)	524	(672)			19,238	(11,586)
Land plots	11516	18,430								18,430	

**Biosintez PJSC**

**Notes to the Financial Statements for the year ended 31 December 2019**

(in thousand Russian Rubles unless otherwise stated)

**Availability and movement of fixed assets for 2018**

Narrative	Code	At the beginning of the year		Changes for the period						At the end of the period	
		Historical cost	Accumulated depreciation	Added	Disposed		Depreciation accrued	Revaluation		Historical cost	Accumulated depreciation
					Historical cost	Accumulated depreciation		Historical cost	Accumulated depreciation		
Fixed assets (excluding income-bearing investments in tangible assets) - total including:	1151	2,933,218	(1,156,820)	503,423	(5,547)	5,439	(133,254)			3,431,094	(1,284,635)
Buildings	11511	1,319,475	(365,025)	310,076			(32,358)			1,629,551	(397,383)
Structures and transfer devices	11512	72,619	(63,574)		(1,353)	1,353	(1,204)			71,266	(63,425)
Machinery and equipment	11513	1,482,150	(692,994)	191,345	(4,151)	4,043	(97,554)			1,669,344	(786,505)
Transport vehicles	11514	28,742	(23,972)				(1,912)			28,742	(25,884)
Production and maintenance tools	11515	11,802	(11,255)	2,002	(43)	43	(226)			13,761	(11,438)
Land plots	11516	18,430								18,430	

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

Useful life and depreciation methods for 2018-2019 by groups of fixed assets:

Narrative	As at 31 December 2019		As at 31 December 2018		As at 31 December 2017	
	Useful life (in months)	Depreciation methods	Useful life (in months)	Depreciation methods	Useful life (in months)	Depreciation methods
1	2	3	4	5	6	7
Buildings	120-1500	straight-line	120-1500	straight-line	120-1500	straight-line
Structures and transfer devices	60-600	straight-line	60-600	straight-line	60-600	straight-line
Machinery and equipment	12-364	straight-line	12-364	straight-line	12-364	straight-line
Production lines	84	Proportional to time in service	84	Proportional to time in service	84	Proportional to time in service
Transport vehicles	48-180	straight-line	48-180	straight-line	48-180	straight-line
Production and maintenance tools	36-364	straight-line	36-364	straight-line	36-364	straight-line

Change in the value of fixed assets as a result of completion, additional equipment, reconstruction and partial liquidation in 2018-2019 is shown below:

Narrative	For 2019	For 2018
1	2	3
<b>Increase in the cost of fixed assets as a result of completion, additional equipment, reconstruction - TOTAL</b>	<b>45,688</b>	<b>315,440</b>
Buildings	42,822	310,076
Structures and transfer devices	2,472	
Machinery and equipment	394	5,364
<b>Decrease in the cost of fixed assets as a result of partial liquidation - TOTAL:</b>		<b>333</b>
Structures and transfer devices		333

The Company owns land plots intended for industrial facilities. The book value of these land plots is RUB 18,430 thousand. Depreciation on the land plots is not accrued.

Information about real estate (from 1958 to 2008) without state registration:

Narrative	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
1	2	3	4
Buildings	9,707	9,728	9,779
including			
Refrigerating station, building 284	3,889	3,889	3,889
Structures and transfer devices	4,729	4,979	7,639
<b>TOTAL</b>	<b>14,436</b>	<b>14,707</b>	<b>17,418</b>

Information about temporarily shut down fixed assets, leased fixed assets, and other use of fixed assets, is set forth below at net book value:

4/6

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

Narrative	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
1	2	3	4
Leased-out fixed assets (on-balance sheet)	10,879	11,402	107
Real estate items commissioned and actually used, however, in the process of state registration			
Fixed assets that have been temporarily shut down	145,171	115,839	107,111
Other use of fixed assets (real estate was pledged to Sun Pharma (Netherlands) B.V.) to secure a loan until 20/12/2023) (book value)	1,841,258	1,918,945	1,614,057
Fixed assets under reconstruction			7,065

The Company transferred premises and equipment under lease contracts. The majority of these fixed assets were transferred under a lease contract with Individual Entrepreneur Oreshkin A.V. (RUB 10,779 thousand).

**4.4. Capital investments in progress**

Capital investments in progress presented in the Balance Sheet within line 1122 "R&D and intangible assets acquisition in progress":

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

**Availability and movement of R&D in progress expenses for 2019**

Narrative	Code	Book value at the beginning of the year	Changes for the period		Book value at the end of the period
			costs for the period	written off to expenses (without positive results) (impairment provision)	
Expenses for R&D in progress - total	1122	35,249	166	(11,449)	21,742
Expenses for development work (development stage)	11221	35,249	166	(11,449)	21,742
Short-term accounts receivable on R&D (advances paid)	11222				
				recognised as intangible assets or R&D	
				(2,224)	
				(2,224)	

**Availability and movement of R&D in progress expenses for 2018**

Narrative	Code	Book value at the beginning of the year	Changes for the period		Book value at the end of the period
			costs for the period	written off to expenses (without positive results) (impairment provision)	
Expenses for R&D in progress - total	1122	40,769	5,617	(11,137)	35,249
Expenses for development work (development stage)	11221	40,749	5,637	(11,137)	35,249
Short-term accounts receivable on R&D (advances paid)	11222	20	(20)		
				recognised as intangible assets or R&D	

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

Accounts receivable (advances) on R&D presented in the Balance Sheet within line 1122 "Research and development results" is presented below:

Narrative	As at 31/12/2019		As at 31/12/2018		As at 31/12/2017	
	under a contract	bad debt provision	under a contract	bad debt provision	under a contract	bad debt provision
1	3	4	5	6	5	6
Short-term accounts receivable on R&D	-	-	-	-	20	-
including						
LABMGMU LLC					20	

In-progress capital investments presented in the Balance Sheet within line 1152 "In-progress capital investments in fixed assets" is presented below:

Narrative	Code	As at 31 December 2019	As at 31 December 2018	As at 31 December 2017
In-progress capital investments in fixed assets - total	1152	125,828	105,351	310,317
including:				
equipment to be installed and materials in stock	11521	67,276	33,308	76,611
reconstruction and modernisation of fixed assets	11522	15,455	54,958	158,947
in-progress acquisition of other fixed assets	11523	29,859	1,680	3,670
short-term accounts receivable on capital investments	11524	13,238	15,405	71,089

Accounts receivable (advances) on capital investments presented in the Balance Sheet within line 1152 "In-progress capital investments in fixed assets" is presented below:

Narrative	As at 31/12/2019		As at 31/12/2018		As at 31/12/2017	
	under a contract	bad debt provision	under a contract	bad debt provision	under a contract	bad debt provision
1	3	4	5	6	5	6
Short-term accounts receivable on capital investments	15,322	(2,084)	23,000	(7,595)	72,407	(1,318)
Including						
Tekhno Fasad LLC			6,074	(5,069)		
PVS LLC			6,608			
Kord LLC			2,919			
NPO Eko-Intekh LLC			1,555			
Pharmcontract LLC	1,568	(1,568)	1,568	(1,568)		
Unica Engineering LLC					47,436	
STS LLC					4,250	
F.P.S. Food and Pharma Systems s.r.l.	2,789					
BVT LLC	7,213					
NTP Energocontrol LLC	1,250					
Other	2,502	(516)	4,276	(958)	20,721	(1,318)



**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

**4.5. Long-term financial investments**

All financial investments of the Company are not quoted, therefore, it is not possible to determine their current market value.

Information about the availability and movement of long-term financial investments is presented below:

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

**For 2019**

Narrative	Code	At the beginning of the year			Changes for the period				At the end of the period			
		Historical cost	Accumulated adjustment	Cost with accumulated adjustment	Added	Disposed (repaid)		Accrual of interest (including to adjust cost to par value)	In current market value (impairment losses)	Historical cost	Accumulated adjustment	Cost with accumulated adjustment
						Historical cost	Accumulated adjustment					
Long-term - total including:	1170	2,000	-	2,000						2,000	-	2,000
Contributions to the charter (share) capitals of other companies	1171	2,000		2,000						2,000		2,000

**For 2018**

Narrative	Code	At the beginning of the year			Changes for the period				At the end of the period			
		Historical cost	Accumulated adjustment	Cost with accumulated adjustment	Added	Disposed (repaid)		Accrual of interest (including to adjust cost to par value)	In current market value (impairment losses)	Historical cost	Accumulated adjustment	Cost with accumulated adjustment
						Historical cost	Accumulated adjustment					
Long-term - total including:	1170	2,000	-	2,000						2,000	-	2,000
Contributions to the charter (share) capitals of other companies	1171	2,000		2,000						2,000		2,000

49

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

**4.6. Deferred tax assets**

Deferred tax assets presented in line 1180 "Deferred tax assets" of the Balance Sheet are as follows:

No.	Narrative	Amount as at 31/12/2019	Amount as at 31/12/2018	Amount as at 31/12/2017
1	Tax loss carried forward	155,964	171,129	115,961
2	Provisions for impairment of inventories, R&D	15,325	28,407	17,206
3	Provisions for payment of bonuses to customers	11,262	17,132	18,700
4	Other deferred tax assets	4,592	10,026	10,139
	<b>TOTAL</b>	<b>187,142</b>	<b>226,694</b>	<b>162,006</b>

**4.7. Other non-current assets**

Line 1190 "Other non-current assets" of the Balance Sheet presents investments in non-current assets failing to meet the requirements to the generation of indicators of the following Balance Sheet lines:

1. Line 1110 "Intangible assets";
2. Line 1120 "Research and development results";
3. Line 1150 "Fixed assets";
4. Line 1160 "Income-bearing investments in tangible assets";
5. Line 1170 "Financial investments".

Information about other non-current assets:

No.	Narrative	Amount		
		31/12/2019	31/12/2018	31/12/2017
1	Prepaid expenses for the registration of pharmaceuticals	20,506	15,595	14,366
2	Certification and licensing	12	214	318
3	Other	403		20
	<b>TOTAL</b>	<b>20,921</b>	<b>15,809</b>	<b>14,704</b>

**4.8. Inventories**

Line 1210 "Inventories" of the Balance Sheet accounts for the following:

No.	Narrative	Code	Amount		
			31/12/2019	31/12/2018	31/12/2017
1	Raw materials, consumables and other similar assets	1211	441,404	372,357	360,374
2	Work in progress costs	1212	62,050	71,993	63,948
3	Finished products and goods for resale	1213	364,919	92,226	211,430
4	Prepaid expenses	1214	2,673	1,768	1,367

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

No.	Narrative	Code	Amount		
			31/12/2019	31/12/2018	31/12/2017
	<b>TOTAL</b>	<b>1210</b>	<b>871,046</b>	<b>538,344</b>	<b>637,119</b>

The above inventory types are shown in the Balance Sheet net of inventory provision.

Information about the movement in inventory provision is presented below:

**For 2019**

No.	Description of inventories (by groups)	At the beginning of the year	Provision established in the reporting period	Provision charged to other income of the reporting period	At the end of the period
1.	Raw materials, consumables and other similar assets	47,257	81,463	(88,466)	40,254
2.	Work in progress costs	5,165	2,057	(1,881)	5,340
3.	Finished products and goods for resale	18,205	4,765	(8,030)	14,941
	<b>TOTAL</b>	<b>70,627</b>	<b>88,285</b>	<b>(98,377)</b>	<b>60,535</b>

**For 2018**

No.	Description of inventories (by groups)	At the beginning of the year	Provision established in the reporting period	Provision charged to other income of the reporting period	At the end of the period
1.	Raw materials, consumables and other similar assets	20,015	94,567	(67,325)	47,257
2.	Work in progress costs	2,161	5,630	(2,626)	5,165
3.	Finished products and goods for resale	3,582	17,500	(2,877)	18,205
	<b>TOTAL</b>	<b>25,758</b>	<b>117,697</b>	<b>(72,828)</b>	<b>70,627</b>

**4.9. Accounts receivable**

Accounts receivable are presented in the Balance Sheet less bad debt provision. Information about accounts receivable is presented below:

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

**Breakdown of accounts receivable**

Narrative	Code	As at 31/12/2019			As at 31/12/2018			As at 31/12/2017		
		Under a contract	Bad debt provision	Amount less bad debt provision	Under a contract	Bad debt provision	Amount less bad debt provision	Under a contract	Bad debt provision	Amount less bad debt provision
Long-term accounts receivable - total	1231	5,619	-	5,619	5,570	-	5,570	76,806	-	76,806
including buyers and customers	12311	-	-	-	-	-	-	69,007	-	69,007
advances paid	12312	207	-	207	455	-	455	2,797	-	2,797
other debtors	12313	5,412	-	5,412	5,115	-	5,115	5,002	-	5,002
Short-term accounts receivable - total	1232	832,646	(7,965)	824,681	873,722	(74,550)	799,172	1,048,576	(33,287)	1,015,289
including buyers and customers	12321	765,573	(4,941)	760,632	760,700	(59,354)	701,346	757,138	(20,461)	736,677
advances paid	12322	44,314	(917)	43,397	74,631	(4,729)	69,902	65,703	(2,184)	63,519
taxes and levies receivable from the budget	12323	18,115	-	18,115	25,274	-	25,274	6,509	-	6,509
other debtors	12324	4,644	(2,107)	2,537	13,117	(10,467)	2,650	219,226	(10,642)	208,584
<b>Total</b>	1230	838,265	(7,965)	830,300	879,292	(74,550)	804,742	1,125,382	(33,287)	1 092 95

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

Information about overdue accounts receivable is presented below (the book value less bad debt provision):

Narrative	Code	As at 31/12/2019	As at 31/12/2018	As at 31/12/2017
<b>Short-term accounts receivable - total</b>	<b>1232</b>	<b>68,373</b>	<b>28,360</b>	<b>20,341</b>
including buyers and customers	12321	66,892	25,432	18,877
advances paid	12322	1,445	2,880	1,451
other debtors	12324	36	48	13
<b>Total</b>		<b>68,373</b>	<b>28,360</b>	<b>20,341</b>

Information about the movement of bad debt provision is given below.

**For 2019**

Type of asset	Code	At the beginning of the year	Provision established in the reporting period	Provision charged to other income of the reporting period	Provision used in the reporting period	At the end of the period
<b>Short-term accounts receivable - total</b>	<b>1232</b>	<b>74,550</b>	<b>32,787</b>	<b>(91,018)</b>	<b>(8,354)</b>	<b>7,965</b>
including buyers and customers	12321	59,354	24,837	(79,228)	(22)	4,941
advances paid	12322	4,729	7,950	(11,695)	(67)	917
other debtors	12324	10,467		(95)	(8,265)	2,107
<b>TOTAL</b>		<b>74,550</b>	<b>32,787</b>	<b>(91,018)</b>	<b>(8,354)</b>	<b>7,965</b>

**For 2018**

Type of accounts receivable	Code	At the beginning of the year	Provision established in the reporting period	Provision charged to other income of the reporting period	Provision used in the reporting period	At the end of the period
<b>Short-term accounts receivable - total</b>	<b>1232</b>	<b>33,287</b>	<b>70,216</b>	<b>(28,461)</b>	<b>(492)</b>	<b>74,550</b>
including buyers and customers	12321	20,461	67,189	(28,295)	(1)	59,354
advances paid	12322	2,184	3,027		(482)	4,729
other debtors	12324	10,642		(166)	(9)	10,467
<b>TOTAL</b>		<b>33,287</b>	<b>70,216</b>	<b>(28,461)</b>	<b>(492)</b>	<b>74,550</b>

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

**4.10. Cash and cash equivalents**

Cash and cash equivalents in line 1250 "Cash and cash equivalents" of the Company's Balance Sheet include:

No.	Narrative	Amount as at 31/12/2019	Amount as at 31/12/2018	Amount as at 31/12/2017
1	Cash on hand	10	3	12
2	Cash on bank accounts in rubles	25,302	22,649	118,896
3	Cash on bank accounts in foreign currency		508	4,414
4	Short-term deposits		100,000	
	<b>TOTAL B/S line 1250</b>	<b>25,312</b>	<b>123,160</b>	<b>123,322</b>
	<b>Balance of cash and cash equivalents in the Statement of Cash Flows (lines 4450, 4500)</b>	<b>25,312</b>	<b>123,160</b>	<b>123,322</b>

Information about cash flows is disclosed in the Statement of Cash Flows.

The Statement of Cash Flows presents cash flows from operating, investing and financing activities.

Information about advances received/paid is presented in the Statement of Cash Flows as advance account balance/turnover.

Foreign currency purchases/sales are presented in the Statement of Cash Flows on a gross/net basis and separately within other receipts / other payments from operating activities.

Breakdown of other receipts and other payments in the Statement of Cash Flows:

Narrative	Code	For 2019	For 2018
<b>Cash flows from operating activities</b>			
<b>Other receipts</b>	<b>4119</b>	<b>92,528</b>	<b>217,760</b>
Receipts from related companies (Sun Pharma (Netherlands) B.V.) under a debt assignment contract	41191		203,971
Received fines and damages	41192	1,260	2,648
Receipts of interest under bank account contracts	41193	3,026	4,742
Receipts of interest on deposits (deposit period up to 3 months)	41194	3,598	
Receipt of subsidies from the federal budget	41195	9,397	
Income tax (refund of advance payments for 2017)	41196		6,394
Result of VAT transactions (including refund from the state budget)	41197	75,224	
Other	41198	23	5
<b>Other payments</b>	<b>4129</b>	<b>(74,997)</b>	<b>(78,278)</b>
Internal receivables from employees (funds provided for current needs)	41291	(3,202)	(4,324)
Paid fines and damages	41292	(6,085)	(642)

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

Narrative	Code	For 2019	For 2018
State duties	41293	(3,504)	(7,672)
Losses on foreign currency exchange transactions	41294	(2,289)	(508)
Bank services	41295	(4,073)	(1,200)
Social payments	41296	(309)	(105)
Taxes (except for individual income tax, income tax) and tax-related fines	41297	(55,535)	(63,827)

The Statement of Cash Flows shows net cash flows characterizing operations of the company's counterparts, rather than its own operations, and (or) when receipts from one person provide for payments to other persons.

The following items are presented on a net basis:

1. foreign exchange operations;
2. value added tax within receipts from buyers and customers, payments to suppliers and contractors and payments to the RF budgetary system and recovery therefrom;
3. receipt of reimbursable expenses and their transfer to service providers.

Presentation of value-added tax in the Statement of Cash Flows.

To present VAT in the Statement of Cash Flows on a net basis, the direct method of VAT calculation is used.

Line 4122 "Payments for wages and salaries" of the Statement of Cash Flows reflects amounts paid for wages and salaries, individual income tax and social charges to non-budgetary funds:

Narrative	Code	For 2019	For 2018
Payments for wages and salaries, including:	<b>4122</b>	<b>(546,035)</b>	<b>(530,649)</b>
Labour costs	41221	(358,300)	(367,300)
Amount withheld from salary and paid to third parties (alimony, writs of execution etc.)	41222	(12,065)	(8,435)
Individual income tax	41223	(52,787)	(53,085)
insurance contributions to non-budgetary funds	41224	(122,883)	(101,829)

**4.11. Other current assets**

Line 1260 "Other current assets" of the Balance Sheet shows the following:

No.	Narrative	Amount		
		As at 31/12/2019	As at 31/12/2018	As at 31/12/2017
1	Monetary documents (postage stamps, envelopes, employee catering cards)	44	44	37
	<b>TOTAL</b>	<b>44</b>	<b>44</b>	<b>37</b>

**4.12. Share capital**



**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

The share capital of the Company, according to the Articles of Association, makes up RUB 286,283 as at 31/12/2019.

The Company's share capital is divided into 214,712 ordinary personal uncertificated shares, each with the nominal value of RUB 1, and 71,571 preferred personal uncertificated shares, each with the nominal value of RUB 1.

The share capital has been paid in full. No share capital changes were made in 2018 and 2019.

The Company has not announced additional issue of shares, placement of bonds or other securities.

**4.13. Revaluation of non-current assets**

The revaluation of non-current assets for 2018-2019 is presented in the Statement of Changes in Equity.

The revaluation of non-current assets by types of non-current assets:

Narrative	Code	As at 31/12/2019	As at 31/12/2018	As at 31/12/2017
<b>Revaluation of non-current assets, TOTAL</b>	<b>1340</b>	<b>289,893</b>	<b>297,120</b>	<b>298,605</b>
including:				
Revaluation of fixed assets	1341	289,893	297,120	298,605

**4.14. Reserve capital**

As at the reporting date, the Company established a reserve fund from net profit totalling RUB 14 thousand in accordance with the law. The reserve fund is intended to cover the Company's losses and to settle its bonds and buy out shares if the Company has no other funds.

The reserve fund had the following structure in 2018-2019:

Narrative	Code	As at 31/12/2019	As at 31/12/2018	As at 31/12/2017
Reserves in accordance with the legislation	1360	14	14	14
<b>TOTAL</b>	<b>1361</b>	<b>14</b>	<b>14</b>	<b>14</b>

**4.15. Retained earnings (uncovered loss)**

Movement of retained earnings (uncovered loss) is disclosed in the Statement of Changes in Equity.

Line 1370 "Retained earnings (uncovered loss)" includes not only retained earnings/loss, but also the accumulation fund established pursuant to the decision of the Company's shareholders.

The General Meeting of Shareholders (minutes dated 26/06/2019) decided to cover the loss of 2018 from:

Item	Amount for 2018
Loss	(454,595)
Accumulation fund	209,685
Earnings of prior years	112,084
Uncovered loss	(132,826)

Restatements after which uncovered loss for 2018 amounted to RUB 444,962 thousand are shown in the Statement of Changes in Equity and in Section 3 of these notes.

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

The General Meeting which is supposed to consider the issue of distribution of the 2019 profit has not been convened as at the reporting date.

Retained earnings (uncovered loss) shown in line 1370 "Retained earnings (uncovered loss)" has the following structure:

Narrative	As at 31/12/2019	As at 31/12/2018	As at 31/12/2017
<b>Retained earnings (uncovered loss), TOTAL</b>	<b>(97,084)</b>	<b>(87,287)</b>	<b>356,190</b>
including:			
Retained earnings (loss) of prior years	(87,287)	147,990	96,246
Retained earnings (loss) for the reporting year	(17,024)	(444,962)	51,744
Accumulation fund	7,227	209,685	208,200

**4.16. Deferred tax liabilities**

Deferred tax liabilities presented in line 1420 "Deferred tax liabilities" of the Balance Sheet are as follows:

No.	Narrative	Amount as at 31/12/2019	Amount as at 31/12/2018	Amount as at 31/12/2017
1	Fixed assets	120,752	109,398	102,450
2	Intangible assets and R&D	3,937	4,575	2,618
	<b>TOTAL</b>	<b>124,689</b>	<b>113,973</b>	<b>105,068</b>

**4.17. Loans and borrowings**

The Company borrowed in the currency of the Russian Federation, rubles. Information about the Company's outstanding loans and borrowings and their movement is as follows:

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

**For 2019**

Narrative	Code	At the beginning of the year	Changes for the period					Exchange difference	At the end of the period
			Received	Interest accrued	Principal repayment	Interest repayment	Reclassification from short-term to long-term indebtedness		
Long-term borrowings - total	1410	3,295,956	60,000	115,744	(1,091,270)			2,380,430	
Loans	1411	3,162,389	60,000		(1,091,270)			2,131,119	
Interest on loans	1412	133,567		115,744				249,311	
Short-term borrowings - total	1510	75,062	1,130,000	122,532	(30,000)	(154,102)		1,143,492	
Loans	1511		30,000		(30,000)				
Interest on loans	1512	75,062		120,769		(154,102)		41,729	
Bank loans	1513		1,100,000					1,100,000	
Interest on bank loans	1514			1,763				1,763	

**For 2018**

Narrative	Code	At the beginning of the year	Changes for the period					Exchange difference	At the end of the period
			Received	Interest accrued	Principal repayment	Interest repayment	Reclassification from long-term to short-term indebtedness		
Long-term borrowings - total	1410	1,960,491	120,000				1,215,465	3,295,956	
Loans	1411	1,960,491	120,000				1,081,898	3,162,389	
Interest on loans	1412						133,567	133,567	
Short-term borrowings - total	1510	1,192,461		232,023		(133,957)	(1,215,465)	75,062	
Loans	1511	1,081,898					(1,081,898)		
Interest on loans	1512	110,563		232,023		(133,957)	(133,567)	75,062	

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

**Main loans and borrowings**

Narrative	Code	Annual interest rate	Maturity	As at 31/12/2019			As at 31/12/2018			As at 31/12/2017		
				Principal amount	Interest	Total	Principal amount	Interest	Total	Principal amount	Interest	Total
Long-term borrowings - total	1410			2,131,119	249,311	2,380,430	3,162,389	133,567	3,295,956	1,960,491		1,960,491
Loans (lessor – Sun Pharma (Netherlands) B.V.)	A											
Unnumbered dated 14/12/2016/16-БИО-1067		7.5	19/12/2021				263,784		263,784			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	27/12/2021	300,000		300,000	300,000		300,000			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	13/02/2022	120,000		120,000	120,000		120,000			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	19/03/2022	260,000		260,000	260,000		260,000			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	27/07/2022	94,000		94,000	94,000		94,000			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	21/09/2022	50,000		50,000	50,000		50,000			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	06/11/2022	100,000		100,000	100,000		100,000			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	15/05/2023	50,000		50,000	50,000		50,000			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	19/09/2023	70,000		70,000	70,000		70,000			
Unnumbered dated 07/06/2017/17-БИО-225		7.5	20/12/2021				532,032		532,032			
Unnumbered dated 07/06/2017/17-БИО-225		7.5	20/12/2022	236,579		236,579	532,032		532,032			
Unnumbered dated 07/06/2017/17-БИО-225		7.5	20/12/2023	538,442		538,442	538,443		538,443			
Unnumbered dated 07/06/2017/17-БИО-225		7.5	30/12/2022		239,883	239,883		124,139	124,139			
Unnumbered dated 07/06/2017/17-БИО-226		7.5	31/12/2021	252,098	9,428	261,526	252,098	9,428	261,526			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	24/07/2024	30,000		30,000						
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	19/11/2024	30,000		30,000						
Unnumbered dated 07/06/2017/17-БИО-225		7.5	31/01/2024							1,336,491		1,336,491
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	13/02/2019							120,000		120,000
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	19/03/2019							260,000		260,000
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	27/07/2019							94,000		94,000
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	21/09/2019							50,000		50,000
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	06/11/2019							100,000		100,000

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

Narrative	Code	Annual interest rate	Maturity	As at 31/12/2019			As at 31/12/2018			As at 31/12/2017		
				Principal amount	Interest	Total	Principal amount	Interest	Total	Principal amount	Interest	Total
Short-term borrowings - total	1510			1,100,000	43,492	1,143,492		75,063	75,062	1,081,898	110,563	1,192,461
Loans (lessor – Sun Pharma (Netherlands) B.V.)	A											
Unnumbered dated 14/12/2016/16-БИО-1067		7.5	30/01/2019					9,919	9,919			
Unnumbered dated 14/12/2016/16-БИО-1067		7.5	30/07/2019					9,865	9,865			
Unnumbered dated 14/12/2016/16-БИО-1067		7.5	30/07/2019					650	650			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	09/01/2019					3,781	3,781			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	09/01/2019					1,890	1,890			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	28/02/2019					3,032	3,032			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/03/2019					11,219	11,219			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/03/2019					3,452	3,452			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/08/2019					11,281	11,281			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/04/2019					5,503	5,503			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/04/2019					1,482	1,482			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/04/2019					1,038	1,038			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/06/2019					1,130	1,130			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/06/2019					473	473			
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/09/2019					247	246			
Unnumbered dated 07/06/2017/17-БИО-226		7.5	30/01/2019					9,479	9,479			
Unnumbered dated 07/06/2017/17-БИО-226		7.5	30/11/2019					622	622			
Unnumbered dated 07/06/2017/17-БИО-225		7.5	20/12/2018							266,016		266,016
Unnumbered dated 07/06/2017/17-БИО-225		7.5	30/01/2018								60,259	60,259
Unnumbered dated 07/06/2017/17-БИО-225		7.5	30/07/2018								3,951	3,951
Unnumbered dated 07/06/2017/17-БИО-226		7.5	30/01/2018								9,480	9,480
Unnumbered dated 07/06/2017/17-БИО-226		7.5	30/07/2018								622	622

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

Narrative	Code	Annual interest rate	Maturity	As at 31/12/2019			As at 31/12/2018			As at 31/12/2017		
				Principal amount	Interest	Total	Principal amount	Interest	Total	Principal amount	Interest	Total
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/01/2018							11,281	11,281	
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	28/02/2018							3,032	3,032	
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/03/2018							3,452	3,452	
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/04/2018							5,503	5,503	
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/04/2018							1,037	1,037	
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/06/2018							1,130	1,130	
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/07/2018							247	247	
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	27/12/2018							300,000	300,000	
Unnumbered dated 14/12/2016/16-БИО-1067		7.5	30/01/2018							9,919	9,919	
Unnumbered dated 14/12/2016/16-БИО-1067		7.5	30/07/2018							650	650	
Unnumbered dated 14/12/2016/16-БИО-1067		7.5	19/12/2018							263,784	263,784	
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/01/2020		11,281	11,281						
Unnumbered dated 14/12/2016/16-БИО-1067		7.5	28/02/2020		4,019	4,019						
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/03/2020		9,480	9,480						
Unnumbered dated 07/06/2017/17-БИО-226		7.5	30/03/2020		3,452	3,452						
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/03/2020		8,021	8,021						
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/04/2020		1,861	1,861						
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/06/2020		247	247						
Unnumbered dated 14/12/2016/16-БИО-1068		7.5	30/07/2020		622	622						
Unnumbered dated 07/06/2017/17-БИО-226		7.5	30/07/2020		2,746	2,746						
Unnumbered dated 07/06/2017/17-БИО-225		7.5	30/07/2020									
<b>Bank loan (lender - Citibank JSC, Moscow)</b>	<b>B</b>											
19-БИО-351 dated 24/04/2018		6.5	03/02/2020	150,000		150,000						
19-БИО-351 dated 24/04/2018		6.5	21/02/2020	950,000		950,000						
19-БИО-351 dated 24/04/2018		6.5	29/02/2020		1,763	1,763						

61

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

Information on the amount of cost of borrowings included in other expenses and in the value of investment assets is as follows:

No.	Narrative	For 2019		For 2018	
		Amount	Interest	Amount	Interest
1	Interest amount included in other expenses	237,378	99.6	231,466	99.8
2	Amount of capitalised interest	896	0.4	557	0.2
2.1.	Amount of interest on loans received for the purposes not related to the acquisition, erection and (or) production of an investment asset that was included in the cost of the investment asset	896	0.4	557	0.2

Unreceived amounts of loans (credits) as compared to the terms of loan contracts as at 31/12/2019:

Creditor:	Contract number and date	Period of loan under the contract	Amount of loan under the contract	Actually received cash	Unreceived cash
Sun Pharma (Netherlands) B.V.	Unnumbered dated 14/12/2016/16-БИО-1067	60 months after the date of loan (tranche) use	1,989,500	1,104,000	885,500
Citibank JSC (Moscow)	19-БИО-351 dated 24/04/2018	364 calendar days	1,857,171	1,100,000	757,171

#### 4.18. Accounts payable

Information about the structure of accounts payable is presented below.

Narrative	Code	As at 31/12/2019	As at 31/12/2018	As at 31/12/2017
<b>Other liabilities - long-term accounts payable</b>	<b>1450</b>	<b>37,912</b>	<b>-</b>	<b>-</b>
including Sun Pharma (Netherlands) B.V.	1451	37,912	-	-
<b>Short-term accounts payable - total</b>	<b>1520</b>	<b>193,152</b>	<b>168,321</b>	<b>106,333</b>
including:				
suppliers and contractors	1521	158,039	88,257	36,134
advances received	1525	3,366	1,098	2,652
payables to company employees	1522	15,524	15,176	15,329
payables to state non-budgetary funds	1523	5,322	8,980	1,237
charge and tax payables	1524	10,194	12,324	13,978
including value-added tax	15241	-	-	2,950
other creditors	1526	707	42,486	37,003
including Sun Pharma (Netherlands) B.V.	15261	-	41,209	36,035
<b>Total</b>		<b>231,064</b>	<b>168,321</b>	<b>106,333</b>

Information about overdue accounts payable is presented below:

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

Narrative	Code	As at 31/12/2019	As at 31/12/2018	As at 31/12/2017
<b>Short-term accounts payable - total</b>	<b>1520</b>	<b>56,663</b>	<b>10,219</b>	<b>17,593</b>
including:				
suppliers and contractors	1521	56,462	9,736	17,308
advances received	1525	-	-	-
other creditors	1526	201	483	285
<b>Total</b>		<b>56,663</b>	<b>10,219</b>	<b>17,593</b>

**4.19. Government assistance**

Information about government assistance is as follows:

Narrative	For 2019	For 2018
Public funds received – total	9,397	-
including for current expenses	9,397	-

**4.20. Estimated liabilities, contingent liabilities and contingent assets**

Information about estimated liabilities is as follows:

**For 2019**

Narrative	At the beginning of the year	Recognised		Repaid	Written off as surplus amount	At the end of the year
		amount recognised in the reporting period	increase in the present value for the reporting period (interest)			
<b>Total</b>	<b>154,435</b>	<b>203,887</b>		<b>(217,887)</b>	<b>(41,369)</b>	<b>99,066</b>
including:						
Estimated liabilities for vacation payments to employees	45,616	45,639	not applicable	(48,949)	(236)	42,070
Estimated liabilities for annual bonuses to employees	23,159		not applicable		(23,159)	-
Provision for settlements with contractors	-	2,873	not applicable	(2,182)		691
Provision for bonuses to customers	85,660	155,375	not applicable	(166,756)	(17,974)	56,305



**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

For 2018

Narrative	At the beginning of the year	Recognised		Repaid	Written off as surplus amount	At the end of the year
		amount recognised in the reporting period	increase in the present value for the reporting period (interest)			
<b>Total</b>	<b>160,882</b>	<b>361,542</b>		<b>(340,530)</b>	<b>(27,459)</b>	<b>154,435</b>
including:						
Estimated liabilities for vacation payments to employees	46,880	49,595	not applicable	(50,859)	-	45,616
Estimated liabilities for annual bonuses to employees	20,500	23,159	not applicable	-	(20,500)	23,159
Provision for bonuses to customers	93,502	288,788	not applicable	(289,671)	(6,959)	85,660

Information about the Company's contingent liabilities and contingent assets occurred in the reporting period is given below: As at 31/12/2019 there is a contingent liability, i.e. a claim of LuxunProject LLC for an amount of RUB 509 thousand, that may cause a decrease in economic benefits in the future (less than 50% likelihood).

#### 4.21. Accounting for hedge transactions

Hedge contracts were not concluded in 2018 and 2019.

#### 4.22. Leased fixed assets

Information about the structure of leased fixed assets is presented below:

Narrative	As at 31/12/2019	As at 31/12/2018	As at 31/12/2017
<b>Leased fixed assets - TOTAL</b>	<b>41,139</b>	<b>59,510</b>	<b>59,510</b>
Land	41,139	59,510	59,510

List of land plots leased by the Company:

No.	Location of the land plot	Area	Cadastral value	Lessor	Remained term of lease, months
1	41 Makarenko St., Penza, Penza Region	1,962	3,115	Municipal Property Management Committee of the Administration of Penza	465
2	11 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	434
3	9 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	434
4	10 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	434

**Biosintez PJSC**

**Notes to the Financial Statements for the year ended 31 December 2019**

**(in thousand Russian Rubles unless otherwise stated)**

No.	Location of the land plot	Area	Cadastral value	Lessor	Remained term of lease, months
5	3 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	434
6	4 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	434
7	5 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	434
8	6 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	434
9	7 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	434
10	8 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	434
11	12 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	434
12	13 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	434
13	2 Podlesny, Penza, Penza Region	16,897	14,779	Municipal Property Management Committee of the Administration of Penza	434
14	4 Druzhby St., Penza, Penza Region	2,179	3,489	Interregional Territorial Administration of the State Property Management Federal Agency in the Republic of Mordovia, Republic of Mari El, Chuvash Republic and Penza Region	450
15	4 Druzhby St., Penza, Penza Region	4,416	6,927	Interregional Territorial Administration of the State Property Management Federal Agency in the Republic of Mordovia, Republic of Mari El, Chuvash Republic and Penza Region	420
16	4 Druzhby St., Penza, Penza Region	2,293	3,477	Interregional Territorial Administration of the State Property Management Federal Agency in the Republic of Mordovia, Republic of Mari El, Chuvash Republic and Penza Region	420
17	4 Druzhby St., Penza, Penza Region	2,710	4,138	Interregional Territorial Administration of the State Property Management Federal Agency in the Republic of Mordovia, Republic of Mari El, Chuvash Republic and Penza Region	420

65

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

No.	Location of the land plot	Area	Cadastral value	Lessor	Remained term of lease, months
18	4 Druzhby St., Penza, Penza Region	1,603	2,599	Interregional Territorial Administration of the State Property Management Federal Agency in the Republic of Mordovia, Republic of Mari El, Chuvash Republic and Penza Region	420
19	4 Druzhby St., Penza, Penza Region	1,402	2,483	Interregional Territorial Administration of the State Property Management Federal Agency in the Republic of Mordovia, Republic of Mari El, Chuvash Republic and Penza Region	420
<b>TOTAL</b>		<b>43,362</b>	<b>41,139</b>		

Leased land plots are presented in the financial statements at cadastral value.

The movement of leased fixed assets for 2019:

Narrative	At the beginning of the year	Changes for the period		At the end of the period
		Added/disposed	Change in value	
Leased fixed assets, TOTAL including:	59,510		(18,371)	41,139
Land	59,510		(18,371)	41,139

The movement of leased fixed assets for 2018:

Narrative	At the beginning of the year	Changes for the period		At the end of the period
		Added/disposed	Change in value	
Leased fixed assets, TOTAL including:	59,510			59,510
Land	59,510			59,510

#### 4.23. Off-balance sheet inventories

Information about off-balance sheet inventories is as follows.

Narrative	As at 31/12/2019	As at 31/12/2018	As at 31/12/2017
Inventories accepted for custody	284	17,299	4,811
Inventories accepted for processing	1,082	1,128	1,773
<b>TOTAL</b>	<b>1,366</b>	<b>18,427</b>	<b>6,584</b>

#### 4.24. Collateral and surety issued and received

Collateral and surety in security for liabilities and payments, received and issued, is presented below:

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

Narrative	As at 31/12/2019	As at 31/12/2018	As at 31/12/2017
<b>Collateral and surety received, total:</b>	<b>19,918</b>	<b>2</b>	<b>34</b>
including surety	2	2	34
bank guarantees	19,916		
<b>Collateral and surety issued, total:</b>	<b>1,984,981</b>	<b>1,984,981</b>	<b>2,014,847</b>
including pledge of property and property rights	1,984,981	1,984,981	2,014,847
including the cost of pledged fixed assets (pledge value)	1,962,299	1,962,299	1,997,165

**5. Notes to the Statement of Financial Results**

**5.1. Income from ordinary activities**

The income from the sale of goods, products, works, services (net of VAT and other similar payments) shown in line 2110 of the Statement of Financial Results, is as follows:

Narrative	Code	For 2019	For 2018
Sale of pharmaceuticals for export	2111	492,303	464,092
Sale of pharmaceuticals on the domestic market	2111	1,902,835	1,589,424
Other sales	2112	29,418	31,778
<b>Total revenue</b>	<b>2110</b>	<b>2,424,556</b>	<b>2,085,294</b>

**5.2. Expenses for ordinary activities**

The cost of sales presented in line 2120 of the Statement of Financial Results is as follows:

Narrative	Code	For 2019	For 2018
Sale of pharmaceuticals for export	2121	355,766	407,570
Sale of pharmaceuticals on the domestic market	2121	1,372,730	1,253,565
Other sales	2122	17,577	17,062
<b>Total cost of sales</b>	<b>2120</b>	<b>1,746,073</b>	<b>1,678,197</b>

The selling expenses in line 2210 of the Statement of Financial Results are as follows:

Narrative	For 2019	For 2018
Maintenance of the executive office	11,914	13,010
Transportation of products to destination	26,207	31,901
Expenses of warehouses of finished products	27,497	26,475

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

Non-capital expenses related to the improvement of technology and organisation of work	37,280	45,113
Expenses for the use of intellectual property (royalty)	1,091	2,027
Advertising	3,447	5,571
Distribution costs related to public catering	-	3,965
Other selling expenses	8,022	9,389
<b>Total selling expenses</b>	<b>115,458</b>	<b>137,451</b>

The administrative expenses in line 2220 of the Statement of Financial Results are as follows:

Narrative	For 2019	For 2018
Material costs	34,358	37,433
Payroll costs	132,897	138,305
Social charges	33,743	33,079
Depreciation	12,883	8,183
Other	67,490	70,666
<b>Total administrative expenses</b>	<b>281,371</b>	<b>287,666</b>

Expenses for ordinary activities by cost item are as follows:

Narrative	For 2019	For 2018
Material costs	1,582,824	1,188,144
Payroll costs	423,702	446,976
Insurance contributions to non-budgetary funds	114,217	112,585
Depreciation	154,213	136,594
Other expenses	127,608	125,583
including Repair of fixed assets	3,630	10,350
representation expenses	70	89
<b>Total by cost items</b>	<b>2,402,564</b>	<b>2,009,882</b>
<b>Changes in inventories and expenses (+ increase, - decrease)</b>	<b>(259,662)</b>	<b>93,432</b>
<b>Total expenses for ordinary activities</b>	<b>2,142,902</b>	<b>2,103,314</b>

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
*(in thousand Russian Rubles unless otherwise stated)*

**5.3. Other income and expenses**

The other income and expenses for 2018 – 2019 shown in lines 2340 and 2350 of the Statement of Financial Results, respectively, are as follows:

No.	Narrative	For 2019	For 2018
<b>1</b>	<b>Other income</b>	<b>136,210</b>	<b>37,729</b>
1.1.	Property sale:	6,132	2858
1.1.1.	<i>Sale of raw materials and consumables</i>	4,666	2,858
1.1.2.	<i>Sale of fixed assets</i>	1,466	
1.2.	Accrual (reversal) of provisions	100,356	21,290
1.3.	Exchange differences	12,335	-
1.4.	Donated property	3	82
1.5.	Surpluses identified during stocktaking	309	71
1.6.	Overdue accounts payable	243	6,665
1.7.	Subsidies	9,397	-
1.8.	Other income	7,435	6,763
<b>2</b>	<b>Other expenses</b>	<b>(138,200)</b>	<b>(292,931)</b>
2.1.	Foreign currency sale and purchase	(2,289)	(508)
2.2.	Accrual (reversal) of provisions	(49 2220	(116,607)
2.3.	Exchange differences	-	(7,020)
2.4.	Donated property, services	-	(5,462)
2.5.	Services of credit institutions	(3,689)	(2,547)
2.6.	Other expenses	(83,000)	(160,787)
2.6.1.	<i>including expenses related to the disposal (write-off) of fixed assets and other tangible assets</i>	(22,986)	(13,256)
2.6.2.	<i>social expenses</i>	(6,415)	(6,122)
2.6.3.	<i>property tax</i>	(27,027)	(26,426)
2.6.4.	<i>bonuses and discounts to customers</i>	(8,923)	(106,709)
2.6.5.	<i>other expenses</i>	(17,649)	(8,274)

The other income and expenses shown in lines 2340 and 2350 of the Statement of Financial Results on a net basis are as follows:

**For 2019**

Narrative	Income	Expenses	Total
Currency sale	517,408	(519,697)	(2,289)
Sale of fixed assets	1,850	(384)	1,466
Sale of raw materials and consumables	12,469	(7,803)	4,666
Result of fixed asset write-off	4,210	(16,039)	(11,829)
Tare income and expenses	1,312	(1,161)	151
Exchange differences	20,404	(8,069)	12,335
Accrual (reversal) of inventory impairment provisions	168,098	(172,410)	(4,312)
Accrual (reversal) of bad debt provisions	91,018	(27,797)	63,221
Accrual (reversal) of provision for bonuses to customers	124,207	(155,375)	(31,168)
Special-purpose expenses	37	(6,452)	(6,415)

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

**For 2018**

Narrative	Income	Expenses	Total
Currency sale	127,146	(127,654)	(508)
Sale of raw materials and consumables	7,076	(4,218)	2,858
Result of fixed asset write-off	726	(108)	618
Tare income and expenses	1,105	(37)	1,068
Exchange differences	10,286	(17,306)	(7,020)
Accrual (reversal) of inventory impairment provisions	72,828	(117,698)	(44,870)
Accrual (reversal) of bad debt provisions	28,295	(84,887)	(56,592)
Accrual (reversal) of provision for bonuses to customers	296,630	(288,788)	7,842
Special-purpose expenses	241	(6,363)	(6,122)

**5.4. Income tax**

Income tax for tax purposes (current income tax – line 2410 of the Statement of Financial Results) is determined on the basis of provisional income tax expense/benefit adjusted for permanent tax liabilities, deferred tax assets and deferred tax liabilities pertaining to the reporting period.

The data used to calculate the current income tax are presented below:

No.	Narrative	For 2019	For 2018
1.	Provisional income tax expense (benefit)	9,701	(100,003)
2.	Permanent tax liability	55,651	40,090
3.	Deferred tax asset (DTA)	(39,552)	68,654
4.	Deferred tax liability (DTL)	(10,698)	(8,858)
	<b>Current income tax (current tax loss)</b>	<b>15,102</b>	<b>(116)*</b>

\* Income tax refundable from the budget as per the amended tax return for 2017 is presented in line 2460 of the Statement of Financial Results together with tax penalties.

Permanent and temporary differences that arose in the reporting period and entailed adjustment of provisional income tax expense/benefit are:

No.	Narrative	For 2019	For 2018
1.	<b>Permanent differences, including:</b>	<b>278,253</b>	<b>200,450</b>
1.1.	loan interest in excess of norms	188,456	174,538
1.2.	social expenses	5,514	5,304
1.3.	write-off of inventories and other assets	81,164	12,051
1.4.	donated property, services	2,939	5,462
1.5.	other	180	3,096
2.	<b>Temporary (taxable) differences, including:</b>	<b>(53,492)</b>	<b>(44,289)</b>
2.1.	fixed assets	(56,680)	(34,507)
2.2.	Intangible assets, R&D	3,188	(9,782)
3.	<b>Temporary (deductible) differences, including:</b>	<b>(197,760)</b>	<b>343,270</b>
3.1.	tax loss carried forward (recognised to decrease the tax base)	(75,825)	295,082
3.2.	accrual (reversal) of provision for settlements with contractors	1,120	1,480
3.3.	accrual (reversal) of bad debt provision	(17,683)	8,646

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
*(in thousand Russian Rubles unless otherwise stated)*

3.4	accrual (reversal) of provision for impairment of inventories, R&D	(65,410)	40,323
3.5	accrual (reversal) of provision for bonuses to customers	(29,355)	7,842
3.6.	additional loan expenses	(10,604)	(10,604)
3.7.	other	(3)	501

**5.5. Disclosure of information about earnings per share.**

The weighted average number of ordinary shares outstanding during the reporting period:

For 2019	For 2018
214,712	214,712

Basic earnings per share

The basic earnings (loss) of the reporting period are calculated by decreasing (increasing) earnings (loss) of the reporting period left after tax and other mandatory payments to the state budget and non-budgetary funds by the amount of dividends on preferred shares accrued to their holders for the reporting period.

Basic earnings (loss) per share is calculated as the ratio of the basic earnings (loss) of the reporting period to the weighted average number of ordinary shares outstanding during the reporting period:

Narrative	2019	2018
Earnings (loss) of the reporting period left after tax and other mandatory payments, RUB	(17,024,102.46)	(444,962,115.50)
Dividends on preferred shares accrued to their holders for the reporting period	-	-
Basic earnings (loss) of the reporting period, RUB	(17,024,102.46)	(444,962,115.50)
Weighted average number of ordinary shares	214,712	214,712
<b>Basic earnings (loss) per one share, RUB</b>	<b>(79.29)</b>	<b>(2,072.37)</b>

Diluted earnings (loss) per share

Diluted earnings (loss) per share shows the greatest possible decrease in earnings (increase of loss) per one ordinary share of the joint-stock company.

Narrative	2019	2018
Weighted average number of ordinary shares	214,712	214,712
Maximum weighted average number of shares after conversion	286,283	286,283
Adjusted basic earnings (loss), RUB	(17,024,102.46)	(444,962,115.50)
<b>Diluted earnings (loss) per one share, RUB</b>	<b>(59.47)</b>	<b>(1,554.27)</b>

**6. Other notes**

**6.1. Information about discontinued operations**

The Company did not make any decisions to discontinue operations in 2019.

**6.2. Related parties**

The list of related parties for 2018-2019 and relevant information are given below:



**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

**Nature of relationship with related parties**

Group	Nature of relationship*		Changes in related parties
Name of related party	for 2019	for 2018	
Predominant (participating) companies			
<b>Sun Pharma (Netherlands) B.V.</b>	B	B	
Key management: Members of the Board of Directors			
Arun Kumar Rajput - chairman	B	B	
Arvind Kumar	B	B	
Vivek Mittal	B	B	
Arvind Abrol	B	B	
Alexander Voloshinov	B	B	
General Director Dmitry Boldov	B	B	
Other related parties			
SUN PHARMACEUTICAL INDUSTRIES LIMITED, India	B	B	
JSC Ranbaxy, Moscow	C	C	

A\* - a legal entity (individual) is under control or significant influence of the Company

B\* - a legal entity (individual) has control or significant influence over the Company

C\* - a legal entity (individual) and the Company are under control or significant influence (direct or indirect) of one and the same legal and (or) individual (group of individuals)

The Company belongs to SUN PHARMACEUTICAL INDUSTRIES LIMITED.

The full list of related parties as at 31 March 2019 is presented in the consolidated financial statements of the group at the company's website

<http://www.sunpharma.com/sites/default/files/annual/Consolidated%20Financial%20Statements%20-AR%20FY19.pdf>

There were no material changes in the group structure as at 31 December 2019.

Dilip Shantilal Shanghvi, who heads the parent company of SUN PHARMACEUTICAL INDUSTRIES LIMITED and owns over 25% of this company, is the Company's ultimate beneficiary.

Related party transactions for 2018-2019:

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

**Related party transactions for 2019**

Item (name of related party)	Type of transaction	Outstanding as at 31 December 2018 (Debit +, Credit -)	Receipt of goods, acceptance of works and services	Repayment of indebtedness	Outstanding as at 31 December 2019 (Debit +, Credit -)		Bad debt provision as at the end of the reporting period	Amount of written off accounts receivable with expired limitation period, other bad debts, including against bad debt provision	Type of settlement
					within 12 months	over 12 months			
<i>Predominant (participating) companies</i>									
<b>Sun Pharma (Netherlands) B.V.</b>	Loan receipt	(3,371,018)	(296,401)	1,245,260	(41,729)	(2,380,430)			non-cash
	Assignment of rights (claims) (payables to PJSC Sberbank)	(41,209)		3,297		(37,912)			no payment
<i>Other related parties</i>									
<b>JSC Ranbaxy, Moscow</b>	Purchase of goods, works, services	(11)	(42)	53					non-cash
<b>JSC Ranbaxy, Moscow</b>	Loan receipt		(30,111)	30,111					non-cash
<b>Sun Pharmaceutical Industries Ltd., India</b>	Purchase of goods, works, services		(803)	801	(2)				non-cash
<b>Total</b>		<b>(3,412,238)</b>	<b>(327,357)</b>	<b>1,279,522</b>	<b>(41,731)</b>	<b>(2,418,342)</b>			

73

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

**Related party transactions for 2018**

Item (name of related party)	Type of transaction	Outstanding as at 31 December 2017 (Debit +, Credit -)	Receipt of goods, acceptance of works and services	Repayment of indebtedness	Outstanding as at 31 December 2018 (Debit +, Credit -)		Bad debt provision as at the end of the reporting period	Amount of written off accounts receivable with expired limitation period, other bad debts, including against bad debt provision	Type of settlement
					within 12 months	over 12 months			
Predominant (participating) companies									
<b>Sun Pharma (Netherlands) B.V.</b>	Loan receipt	(3,152,952)	(352,023)	133,957	(75,062)	(3,295,956)			non-cash
	Assignment of rights (claims) (receivables from Biotek LLC, Moscow)	203,971		(203,971)					non-cash
	Assignment of rights (claims) (payables to PJSC Sberbank)	(36,035)	(5,174)		(41,209)				no payment
Other related parties									
<b>JSC Ranbaxy, Moscow</b>	Purchase of goods, works, services		(126)	115	(11)				non-cash
<b>Total</b>		<b>(2,985,016)</b>	<b>(357,323)</b>	<b>(69,899)</b>	<b>(116,282)</b>	<b>(3,295,956)</b>			

74

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
(in thousand Russian Rubles unless otherwise stated)

**6.3. Remuneration to key management personnel**

Information about remuneration accrued for key management of the Company\*:

No.	Narrative	For 2019	For 2018
1	Short-term remunerations – the amounts to be paid during the reporting period, and 12 months after the reporting date (payroll for the reporting period, taxes and other mandatory payments to the corresponding budgets and non-budgetary funds accrued thereon, annual paid leave for work in the reporting period, payment for medical treatment, health services, utilities and other payments to the benefit of the key management personnel)	33,611	27,867
	<b>TOTAL</b>	<b>33,611</b>	<b>27,867</b>

\* In accordance with cl. 11 of RAR 11/2008 "Information about Related Parties", key management personnel shall be understood to mean managers (General Director, other persons acting as a sole executive body of the entity), their deputies, members of the collegiate executive body, members of the Board of Directors (Supervisory Council) or other collegiate management bodies and other officials vested with authorities and responsibilities related to planning, management and control over the entity.

The list of members of the Board of Directors is provided in the General information section of the notes.

No loans were granted to members of the Board of Directors by the Company.

Remuneration to members of the internal audit committee for 2019 amounted to RUB 1,004 thousand. Remuneration to the internal auditor for 2018 amounted to RUB 90 thousand. (payment nature - salary for the reporting period, related taxes and other mandatory payments to the respective budgets and non-budgetary funds, annual paid leave for work in the reporting period, business travel expenses).

**6.4. Subsequent events**

A subsequent event is recognised as an economic event which might impact the Company's financial position and performance and which occurs between the reporting date and the date of the financial statements for the reporting year.

There were no identified material events after the reporting date and before the date of the financial statements, which could have affected the financial position or financial performance of the Company.

**6.5. Tax legislation**

Russian tax, foreign exchange and customs laws allow for different interpretation and are subject to frequent changes. Interpretation of this legislation by the management of the Company with regard to operations and activity of the Company can be contested by the corresponding regional or federal authorities. Recent events that occurred in the Russian Federation indicate that the tax authorities can take a tougher line towards interpretation of legislation and review of tax calculations, and there is a certain probability that operations that have arisen no doubt in the past can be contested at present. Tax audits may cover three calendar years preceding the year when the particular audit is held. Earlier periods may also be subject to audit, if required.

The Company's management believes that as of 31 December 2019 their interpretation of the relevant legislation was appropriate, and the Company's financial position given the applicable tax, foreign exchange and customs legislative environment is highly likely to be sustained.

**Biosintez PJSC**  
**Notes to the Financial Statements for the year ended 31 December 2019**  
**(in thousand Russian Rubles unless otherwise stated)**

General Director of Biosintez PJSC

D.V. Boldov

Chief Accountant at Biosintez PJSC

T.Y. Tefanova

20 March 2020