

AUDITOR'S REPORT

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

AUDITOR'S REPORT

To the shareholders of AO RANBAXY

Audited entity

Joint Stock Company RANBAXY (AO RANBAXY)

Reg. No. 1047796353846.

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

Auditor

BDO Unicon Aktsionernoe Obshchestvo (BDO Unicon AO)

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

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

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

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

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

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

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

Management of AO Ranbaxy is responsible for the preparation and fair presentation of these accounting (financial) statements in accordance with the statutory requirements of the Russian Federation for the preparation of accounting (financial) statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

Basis for Qualified Opinion

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

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

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

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

and for 2014:

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

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

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

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

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

and for 2014:

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

Qualified Opinion

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

Other Information

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

BDO Unicon AO

M.N. Aksenov, Director

28 March 2016

Total number of pages bound:____.

Balance Sheet
as at 31 December 2015

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

Codes		
OKUD form 0710001		
Date (day, month, year)	31	12 2015
OKPO	72983356	
INN	7720508094	
OKVED	51.46.1	
OKOPF / OKFS	67	16
OKEI	384	

119 Prospekt Mira, bldg. 537/2, Moscow, 129223, Russia7/2

Notes	Item	Code	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
	ASSETS				
	I. NON-CURRENT ASSETS				
1.1	Intangible assets	1110	1 318	2 929	4 225
	Research and development results	1120	-	-	-
	Intangible development assets	1130	-	-	-
	Tangible development assets	1140	-	-	-
2.1	Fixed assets	1150	32 687	36 503	29 423
	Income yielding investments into tangible assets ценности	1160	-	-	-
	Financial investments	1170	-	-	-
3.1.	Deferred tax assets	1180	8 087	6 509	128
	Other non-current assets	1190	-	-	-
	Total for Section I	1100	42 092	45 941	33 776
	II. CURRENT ASSETS				
4.1	Inventories	1210	715 171	456 391	362 034
	including:				
	Materials	12101	31	96	724
	Goods	12102	711 151	452 446	357 329
	Selling expenses	12103	3 989	3 849	3 981
	Input VAT	1220	525	3 532	-
6.6;	Accounts receivable	1230	1 712 356	1 395 901	984 995
	including:				
3.1.	Settlements with suppliers and contractors	12301	26 274	14 032	11 691
	Settlements with buyers and customers	12302	1 572 431	1 302 004	902 077
	Settlements on taxes and levies	12303	45 148	41 946	49 628
	Settlements on social insurance and security	12304	4 862	2 984	1 188
	Settlements with accountable persons	12305	11 317	3 490	1 831
	Other settlements with personnel	12306	5 805	2 549	2 344
	Settlements with sundry debtors and creditors	12307	46 519	28 896	16 236
3.1.	Financial investments (excluding cash equivalents)	1240	425 000	235 000	250 010
	including:				
	Deposit accounts	12401	425 000	235 000	250 010
	Cash and cash equivalents	1250	141 548	43 782	65 106

Notes	Item	Code	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
	LIABILITIES				
	III. CAPITAL AND RESERVES				
5.	Share capital (contributed capital, charter capital, contributions of partners)	1310	163 000	3 000	3 000
	Treasury shares	1320	-	-	-
	Revaluation of non-current assets	1340	-	-	-
	Additional capital (without revaluation)	1350	-	-	-
5.	Reserve capital	1360	750	750	750
5.	Retained earnings (uncovered loss)	1370	464 791	396 031	434 043
	Total for Section III	1300	628 541	399 781	437 793
	IV. LONG-TERM LIABILITIES				
	Borrowings	1410	-	-	327 292
	including:				
	Long-term loans	14101	-	-	-
3.1.	Deferred tax liabilities	1420	5 272	4 604	5 897
	Estimated liabilities	1430	-	-	-
	Other liabilities	1450	-	-	-
	Total for Section IV	1400	5 272	4 604	333 189
	V. CURRENT LIABILITIES				
3.1.	Borrowings	1510	508 213	387 289	165 600
	Accounts payable	1520	1 668 154	1 251 473	686 268
	including:				
3.1.	Settlements with suppliers and contractors	15201	1 627 497	1 049 596	617 578
	Settlements with buyers and customers	15202	375	452	1 282
	Settlements on taxes and levies	15203	9 163	10 514	24 400
	Settlements with sundry debtors and creditors	15204	31 119	32 511	43 008
	Settlements with founders related to contributions to charter capital	15205	-	158 400	-
	Deferred income	1530	-	-	-
6.9.	Estimated liabilities	1540	227 466	138 581	75 242
	Other liabilities	1550	-	-	-
	Total for Section V	1500	2 403 833	1 777 343	927 110
	BALANCE	1700	3 037 646	2 181 728	1 698 092

Head _____
(signature)

Aman Khanna
(full Name)

March 22, 2016

Statement of Cash Flows
for January - December 2015

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

Form under OKUD
 Date (day, month, year)

OKPO
 INN
 OKVED
 OKOPF / OKFS
 OKEI

Codes		
0710004		
31	12	2015
72983356		
7720508094		
51.46.1		
67	16	
384		

Item	Code	January - December 2015	January - December 2014
Cash flows from operating activities			
Total receipts	4110	3 305 903	2 532 845
including:			
sales of products, goods, works and services	4111	3 237 769	2 449 377
and			
КОМИССИОННЫХ И ИНЫХ АНАЛОГИЧНЫХ ПЛАТЕЖЕЙ	4112	-	-
resale of investments	4113	-	-
	4114	-	-
other receipts	4119	68 134	83 468
Total payments	4120	(3 032 676)	(2 423 618)
including:			
to suppliers (contractors) for materials, supplies, works and services	4121	(2 096 572)	(1 725 269)
employee compensation	4122	(487 438)	(291 368)
interest on debt obligations	4123	(6 606)	(15 342)
corporate income tax	4124	(101 114)	(71 449)
	4125	-	-
other payments	4129	(340 946)	(320 190)
Net cash flow from operating activities	4100	273 227	109 227
Cash flows from investing activities			
Total receipts	4210	(163 040)	29 714
including			
sales of non-current assets (excluding financial investments)	4211	2 950	1 105
sale of other shares (interests) in other entities	4212	-	-
loans repayments, sale of debt securities (monetary claims against other persons)	4213	(190 000)	15 010
dividends, interest on financial debt investments and similar receipts from equity participation in other organizations	4214	24 010	13 599
	4215	-	-
other receipts	4219	-	-
Total payments	4220	(15 742)	(23 442)
including:			
acquisition, creation, modernization, reconstruction and preparation of non-current assets for use	4221	(13 792)	(20 034)
acquisition of shares (interests) in other entities	4222	-	-
acquisition of debt securities (monetary claims against other persons), disbursement of loans	4223	-	-
acquisition of debt securities (monetary claims against other persons), disbursement of loans acquisition of debt	4224	-	-
	4225	-	-
other payments	4229	(1 950)	(3 408)
Net cash flow from investing activities	4200	(178 782)	6 272

Item	Code	January - December 2015	January - December 2014
Cash flows from financing activities			
Total receipts	4310	1 600	-
including:			
credit and loan proceeds	4311	-	-
cash deposits of owners (members)	4312	-	-
issue of shares, increase in participatory interests	4313	1 600	-
issue of bonds, bills and other debt securities, etc.	4314	-	-
	4315	-	-
other receipts	4319	-	-
Total payments	4320	-	(137 121)
including			
to owners (members) in connection with repurchase of shares (interests) from them or termination or their participation	4321	-	-
payment of dividends and other profit distributions to owners (members)	4322	-	-
in connection with redemption (repurchase) of bills and other debt securities, credit and loan repayments	4323	-	(137 121)
	4324	-	-
other payments	4329	-	-
Financial operations cash flow balance	4300	1 600	(137 121)
Net cash flow for the reporting period	4400	96 045	(21 622)
Balance of cash and cash equivalents as at beginning of the reporting period	4450	43 782	65 106
Balance of cash and cash equivalents as at end of the reporting period	4500	141 548	43 782
Effect of changes in foreign exchange rates against the ruble	4490	1 721	298

Head _____
(signature)

Aman Khanna

(full Name)

March 22, 2016

Statement of Cash Flows
for January - December 2015

Codes		
0710003		
31	12	2015
72983356		
7720508094		
51.46.1		
67	16	
384		

Form under OKUD
Date (day, month, year)

Entity Closed Joint Stock Company RANBAXY

Taxpayer identification number _____

Type of economic activity _____

Organizational legal form / form of ownership Wholesaling of pharmaceutical and medical products

Closed Joint Stock Company / Private ownership

Measurement unit: thousand Rubles

1. Changes in Equity

Item	Code	Share capital	Treasury shares	Additional Capital	Reserve capital	Retained earnings (uncovered loss)	Total
Equity as at 31 December 2013	3100	3 000	-	-	750	434 043	437 793
<u>For 2014</u>							
Total increase in equity:	3210	-	-	-	-	-	-
including:							
net profit	3211	X	X	X	X	-	-
revaluation of assets	3212	X	X	X	X	-	-
gains taken directly to equity	3213	X	X	X	X	-	-
additional issue of shares	3214	-	-	-	X	X	-
increase in par value of shares	3215	-	-	-	X	-	X
reorganization of the legal entity	3216	-	-	-	-	-	-

Item	Code	Share capital	Treasury shares	Additional Capital	Reserve capital	Retained earnings (uncovered loss)	Total
Total decrease in equity:	3220	-	-	-	-	38 012	38 012
including:							
loss	3221	X	X	X	X	38 012	38 012
revaluation of assets	3222	X	X	-	X	-	-
expenses directly charged to equity	3223	X	X	-	X	-	-
reduction in par value of shares	3224	-	-	-	X	-	-
reduction in number of shares	3225	-	-	-	X	-	-
reorganization of the legal entity	3226	-	-	-	-	-	-
dividends	3227	X	X	X	X	-	-
Change in additional capital	3230	X	X	-	-	-	X
Change in reserve capital	3240	X	X	X	-	-	X
Equity as at 31 December 2014	3200	3 000	-	-	750	396 031	399 781
For 2015							
Total increase in equity:	3310	160 000	-	-	-	68 760	228 760
including:							
net profit	3311	X	X	X	X	68 760	68 760
revaluation of assets	3312	X	X	-	X	-	-
gains taken directly to capital	3313	X	X	-	X	-	-
additional issue of shares	3314	160 000	-	-	X	X	160 000
increase in par value of shares	3315	-	-	-	X	-	X
reorganization of the legal entity	3316	-	-	-	-	-	-
Total decrease in equity:	3320	-	-	-	-	-	-
including:							
loss	3321	X	X	X	X	-	-
revaluation of assets	3322	X	X	-	X	-	-
expenses directly charged to equity	3323	X	X	-	X	-	-
reduction in par value of shares	3324	-	-	-	X	-	-
reduction in number of shares	3325	-	-	-	X	-	-
reorganization of the legal entity	3326	-	-	-	-	-	-
dividends	3327	X	X	X	X	-	-
Change in additional capital	3330	X	X	-	-	-	X
Change in reserve capital	3340	X	X	X	-	-	X
Equity as at 31 December 2015	3300	163 000	-	-	750	464 791	628 541

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

Item	Code	As at 31 December 2013	Changes in equity in 2014		As at 31 December 2014
			due to net profit (loss)	due to other factors	
Total capital					
before adjustments	3400	437 793	(38 012)	-	399 781
adjustments arising from changes in accounting policies	3410	-	-	-	-
correction of errors	3420	-	-	-	-
after adjustments	3500	437 793	(38 012)	-	399 781
including:					
retained earnings (uncovered loss):					
before adjustments	3401	434 043	(38 012)	-	396 031
adjustments arising from:					
changes in accounting policies	3411	-	-	-	-
correction of errors	3421	-	-	-	-
after adjustments	3501	434 043	(38 012)	-	396 031
before adjustments	3402	-	-	-	-
adjustments arising from:					
changes in accounting policies	3412	-	-	-	-
correction of errors	3422	-	-	-	-
after adjustments	3502	-	-	-	-

3. Net assets

Item	Code	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Net assets	3600	628 540	399 780	437 793

Head _____ Aman Khanna
(signature) (full Name)

_____ March 22, 2016

Profit and Loss Statement
for January - December 2015

		Form under OKUD	Codes		
		Date (day, month, year)	0710002		
Entity	<u>Closed Joint Stock Company RANBAXY</u>		31	12	2015
Taxpayer identification number		OKPO	72983356		
Type of economic activity	<u>Wholesaling of pharmaceutical and medical products</u>	INN	7720508094		
Organizational legal form / form of ownership	<u>Closed Joint Stock Company / Private ownership</u>	OKVED	51.46.1		
Measurement unit: thousand Rubles		OKOPF / OKFS	67	16	
		OKEI	384		

Notes	Items	Code	January - December 2015	January - December 2014
3.1.	Revenue	2110	3 630 734	2 950 622
6.7	Cost of sales	2120	(2 236 748)	(2 012 431)
	Gross profit (loss)	2100	1 393 986	938 191
3.1.	Business expenses	2210	(999 592)	(647 639)
	Management expenses	2220	-	-
3.1.	Profit (loss) on sales	2200	394 394	290 552
	Income from participation in other entities	2310	-	-
3.1.	Interest receivable	2320	24 554	15 561
3.1	Interest payable	2330	(12 747)	(13 169)
	Other income	2340	306 543	312 522
	Other expenses	2350	(600 293)	(647 000)
	Profit (loss) before taxes	2300	112 451	(41 534)
	Current income tax	2410	(44 599)	(4 152)
	including permanent tax liabilities (assets) (активы)	2421	21 199	4 785
	Change in deferred tax liabilities	2430	(668)	1 293
	Change in deferred tax assets	2450	1 578	6 381
	Other	2460	(2)	-
	including: Fines and penalties for violation of tax and other legislation	24601	(2)	-
	Net profit (loss)	2400	68 760	(38 012)

Notes	Item	Code	January - December 2015	January - December 2014
	FOR REFERENCE ONLY			
	Revaluation of non-current assets not included in net profit (loss) for the period	2510	-	-
	Result of other operations not included in net profit (loss) for the period	2520	-	-
1.5	Total financial result for the period	2500	68 760	(38 012)
1.5	Basic earnings (loss) per share	2900	-	(13)
1.5	Diluted earnings (loss) per share	2910	-	-

Head _____
(signature)

Aman Khanna _____
(full Name)

March 22, 2016

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

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

Form 0710005 p.1

Item	Code	Period	At the beginning of the year		Changes over the period						At the end of reporting		
			Historical cost	Accumulated amortization and impairment loss	Additions	Disposal		Accrued amortization	Impairment loss	Revaluation		Historical cost	Accumulated amortization and impairment loss
						Historical cost	Accumulated depreciation and impairment loss			Historical cost	Accumulated amortization		
Total intangible assets	5100	2015	4 834	(1 905)	-	-	(1 611)	-	-	-	-	4 834	(3 516)
	5110	2014	4 587	(362)	247	-	(1 543)	-	-	-	-	4 834	(1 905)
Including: other intangible assets	5101	2015	4 834	(1 905)	-	-	(1 611)	-	-	-	-	4 834	(3 516)
	5111	2014	4 587	(362)	247	-	(1 543)	-	-	-	-	4 834	(1 905)
Exclusive copyright to computer programs,	5102	2015	-	-	-	-	-	-	-	-	-	-	-
	5112	2014	-	-	-	-	-	-	-	-	-	-	-

1.2. Historical cost of intangible assets developed in-house

Item	Code	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
		Total	5120	-
Including:	5121	-	-	-

1.3. Fully amortized intangible assets

Item	Code	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Total	5130	-	-	-
including:	5131	-	-	-

1.4. Existence and movements of R&D results

Item	Code	Period	At the beginning of the year		Additions	Changes over the period		At the end of the period	
			Historical cost	Expensed portion		Historical cost	Expensed portion for the period	Historical cost	Expensed portion
Total R&D	5140	2015	-	-	-	-	-	-	-
	5150	2014	-	-	-	-	-	-	-
including:	5141	2015	-	-	-	-	-	-	-
	5151	2014	-	-	-	-	-	-	-

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

Item	Code	Period	At the beginning of the year	Changes over the period			At the end of the period
				Costs for the period	Costs written off as unproductive	Recognized as intangible assets or R&D	
Costs of R&D in progress - total	5160	2015	-	-	-	-	
	5170	2014	-	-	-	-	
including:	5161	2015	-	-	-	-	
	5171	2014	-	-	-	-	
Acquisitions of intangible assets in progress	5180	2015	-	-	-	-	
	5190	2014	-	247	(247)	-	
including: Faringosept website	5181	2015	-	-	-	-	
	5191	2014	-	247	(247)	-	

2.2. Capital investments in progress

Item	Code	Period	Changes over the period				At the end of the period
			At the beginning of the year	Written off	Recognized as fixed assets or written up	At the beginning of the year	
Construction in progress and acquisitions, modernization etc. of fixed assets in progress - total including:	5240	2015	177	-	(16 966)	674	
	5250	2014	-	19 615	(19 438)	177	
Computer equipment	5241	2015	-	8 518	(8 518)	-	
	5251	2014	-	102	(102)	-	
Furniture and fixtures	5242	2015	-	-	-	-	
	5252	2014	-	270	(270)	-	
Office equipment	5243	2015	-	92	(92)	-	
	5253	2014	-	566	(566)	-	
Vehicles	5244	2015	177	-	(8 356)	674	
	5254	2014	-	18 677	(18 500)	177	

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

Item	Code	in 2015	in 2014
Total increase in the cost of fixed assets as a result of further construction, additional equipment, reconstruction including:	5260	-	226
FORD Mondeo X9FDXXEED9K47683	5261	-	226
Total decrease in the cost of fixed assets as a result of partial liquidation including:	5270	-	-
	5271	-	-

2.4. Other utilization of fixed assets

Item	Code	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Leased out fixed assets recorded on the balance sheet	5280	-	-	-
Leased out fixed assets recorded off-balance sheet	5281	-	-	-
Leased in fixed assets recorded on the balance sheet	5282	-	-	-
Leased in fixed sheet assets recorded off-balance	5283	73 868	65 202	25 073
Real estate properties accepted for operation and actually utilized, which are pending state registration	5284	-	-	-
Mothballed fixed assets	5285	-	-	-
Other utilization of fixed assets (collateral, etc.).	5286	-	-	-
	5287	-	-	-

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

Item	Code	Period	At the beginning of the year		Changes over the period				At the end of the period		
			Historical cost	Accumulated adjustments	Additions	Disposed of (repaid)		Accrual of interest (including to bring cost to par value)	In current market value (impairment loss)	Historical cost	Accumulated adjustments
						Historical cost	Accumulated adjustments				
Long-term - total	5301 5311	2015 2014	- -	- -	- -	- -	- -	- -	- -	- -	
including:											
	5302	2015	-	-	-	-	-	-	-	-	
	5312	2014	-	-	-	-	-	-	-	-	
Short-term - total	5305 5315	2015 2014	235 000 250 010	- -	5 700 000 5 120 000	(5 510 000) (5 135 010)	- -	- -	425 000 235 000	- -	
including:											
Bank deposits	5306 5316	2015 2014	235 000 250 010	- -	5 700 000 5 120 000	(5 510 000) (5 135 010)	- -	- -	425 000 235 000	- -	
Total financial investments	5300 5310	2015 2014	235 000 250 010	- -	5 700 000 5 120 000	(5 510 000) (5 135 010)	- -	- -	425 000 235 000	- -	

3.2. Other utilization of financial investments

Item	Code	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Pledged financial investments - total	5320	-	-	-
including:				
	5321	-	-	-
Investments transferred to third parties (except sale) - total	5325	-	-	-
including:				
	5326	-	-	-
Other utilization of financial investments	5329	-	-	-

4.2. Inventory pledged

Item	Code	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Total inventory unpaid as at the reporting date including:	5440	-	-	-
	5441	-	-	-
Total inventory pledged as collateral under contracts including:	5445	-	-	-
	5446	-	-	-

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

Item	Code	Period	At the beginning of the year		Changes over the period						At the end of the period		
			accounted for under contracts	provision for doubtful debts	arising from business transactions (transaction amount outstanding)	additions	repaid	charged against financial result	disposals	reclassification on from long-term to short-term	accounted for under contracts	provision for doubtful debts	
Total long-term receivables	5501	2015	-	-	-	-	-	-	-	-	-	-	-
	5521	2014	-	-	-	-	-	-	-	-	-	-	-
including: Settlements with buyers and customers	5502	2015	-	-	-	-	-	-	-	-	-	-	-
	5522	2014	-	-	-	-	-	-	-	-	-	-	-
Advances made	5503	2015	-	-	-	-	-	-	-	-	-	-	-
	5523	2014	-	-	-	-	-	-	-	-	-	-	-
Other	5504	2015	-	-	-	-	-	-	-	-	-	-	-
	5524	2014	-	-	-	-	-	-	-	-	-	-	-
Total short-term receivables	5505	2015	-	-	-	-	-	-	-	-	-	-	-
	5525	2014	-	-	-	-	-	-	-	-	-	-	-
including: Settlements with buyers and customers	5510	2015	1 434 840	(38 939)	5 058 621	-	(4 734 048)	-	-	-	-	1 739 548	(47 111)
	5530	2014	1 022 886	(37 891)	4 133 949	-	(3 721 944)	(1)	(13 318)	-	-	1 434 840	(38 939)
Advances made	5511	2015	1 339 896	(37 891)	3 997 972	-	(3 719 373)	-	-	-	-	1 618 495	(46 063)
	5531	2014	939 968	(37 891)	3 247 828	-	(2 847 900)	(1)	(13 318)	-	-	1 339 895	(37 891)
Other	5512	2015	15 080	(1 048)	240 330	-	(228 080)	-	-	-	-	27 330	(1 048)
	5532	2014	11 691	-	156 097	-	(152 708)	-	-	-	-	15 080	(1 048)
Settlements on taxes and levies	5513	2015	28 896	-	393 547	-	(375 900)	-	-	-	-	46 543	-
	5533	2014	16 236	-	386 138	-	(373 478)	-	-	-	-	28 896	-
Settlements on social insurance and security	5514	2015	41 946	-	243 904	-	(240 702)	-	-	-	-	45 148	-
	5534	2014	49 628	-	240 002	-	(247 684)	-	-	-	-	41 946	-
Other settlements with personnel	5515	2015	2 984	-	118 190	-	(116 312)	-	-	-	-	4 863	-
	5535	2014	1 188	-	69 637	-	(67 841)	-	-	-	-	2 984	-
Settlements with accountable persons	5516	2015	2 549	-	19 150	-	(15 931)	-	-	-	-	5 768	-
	5536	2014	2 344	-	8 088	-	(7 833)	-	-	-	-	2 549	-
Total	5517	2015	3 490	-	45 536	-	(37 750)	-	-	-	-	11 276	-
	5537	2014	1 831	-	26 159	-	(24 500)	-	-	-	-	3 490	-
Total	5500	2015	1 434 840	(38 939)	5 058 621	-	(4 734 048)	-	-	-	-	1 739 548	(47 111)
	5520	2014	1 022 886	(37 891)	4 133 949	-	(3 721 944)	(1)	(13 318)	-	-	1 434 840	(38 939)

5.2. Overdue receivables

Item	Code	As at 31 December 2015		As at 31 December 2014		As at 31 December 2013	
		accounted for under contracts	book value	accounted for under contracts	book value	accounted for under contracts	book value
Total		47 111	-	37 891	-	37 891	-
including:							
Settlements with buyers and customers	5541	46 063	-	37 891	-	37 891	-
Settlements with buyers and customers (on advance payments, prepayments)	5542	1 048	-	-	-	-	-
Other	5543	-	-	-	-	-	-
	5544	-	-	-	-	-	-

5.3. Existence and movements of payables

Item	Code	Period	Balance at the beginning of the year	Changes over reporting period				Balance at the end of reporting period
				поступление	выбыло	interest, penalties and other charges due	repaid	
				arising from business transactions (transaction amount outstanding)				
Total long-term payables								
	5551	2015	-	-	-	-	-	-
	5571	2014	327 292	185 830	(182 707)	-	(330 415)	-
including:								
credits								
	5552	2015	-	-	-	-	-	-
	5572	2014	-	-	-	-	-	-
loans								
	5553	2015	-	-	-	-	-	-
	5573	2014	327 292	185 830	(182 707)	-	(330 415)	-
other								
	5554	2015	-	-	-	-	-	-
	5574	2014	-	-	-	-	-	-
	5555	2015	-	-	-	-	-	-
	5575	2014	-	-	-	-	-	-
Total short-term payables								
	5560	2015	1 638 762	4 268 018	13 890	(3 744 303)	-	2 176 367
	5580	2014	851 868	3 244 938	15 248	2 803 278	(429)	1 638 762
including:								
settlements with buyers and customers								
	5561	2015	1 049 596	2 806 993	-	(2 228 492)	-	1 627 497
	5581	2014	617 578	2 246 084	-	(1 814 066)	-	1 049 596
advances received								
	5562	2015	452	152 375	-	(152 452)	-	375
	5582	2014	1 282	37 895	-	(38 930)	(425)	452
Settlements on taxes and levies								
	5563	2015	10 514	381 438	2	(382 791)	-	9 163
	5583	2014	24 400	300 896	-	(314 782)	-	10 514
lending								
	5564	2015	-	-	-	-	-	-
	5584	2014	-	-	-	-	-	-
borrowing								
	5565	2015	387 289	247 119	13 868	(140 063)	-	508 213
	5585	2014	185 600	39 743	15 248	(163 717)	330 415	387 289
other								
	5566	2015	32 511	679 095	-	(680 487)	-	31 119
	5586	2014	43 008	461 830	-	(472 323)	(4)	32 511
settlements with founders on contributions to charter capital								
	5567	2015	158 400	1 600	-	(160 000)	-	158 400
	5587	2014	158 400	158 400	-	-	-	158 400
Total								
	5560	2015	1 638 762	4 268 018	13 890	(3 744 303)	-	2 176 367
	5570	2014	1 179 160	3 430 768	15 248	2 620 571	(429)	1 638 762

6. Production costs

Item	Code	2015	2014
Material expenses	5610	2 259 742	2 030 483
Labor costs	5620	427 168	256 840
Social security contributions	5630	98 566	59 183
Depreciation	5640	22 392	13 884
Other costs	5650	428 611	299 548
Total	5660	3 236 479	2 659 938
Change in balances (increase [-]): of work in progress, finished goods, etc.	5670	(139)	-
Change in balances (decrease [+]): of work in progress, finished goods, etc.	5680	-	132
Total expenses from ordinary activities	5600	3 236 340	2 660 070

7. Estimated liabilities

Item	Code	Balance at the beginning of the year	Recognized	Reversed	Written off as excess	Balance at the end of the period
Estimated liabilities - total	5700	138 581	308 099	(219 214)	-	227 466
including:						
Provision for fuel and lubricants	5701	1 546	566	(2 112)	-	-
Provision for returned goods	5702	574	149	(358)	-	365
Provision for vacation pay	5703	20 169	38 525	(28 564)	-	30 130
Provision for payment of annual bonuses to employees	5704	27 675	43 914	(40 874)	-	30 715
Other expenses	5705	11 510	4 859	(2 098)	-	14 271
Bonuses to buyers	5706	67 040	204 083	(145 208)	-	125 915
Provision for payment of quarterly bonuses to employees	5707	6 580	8 214	-	-	14 794
Provision for imprest amounts	5708	3 487	7 789	-	-	11 276
	5709	-	-	-	-	-

8. Security for obligations

Item	Code	As at 31 December 2015	As at 31 December 2014	As at 31 December 2013
Received - total	5800	1 630 000	1 625 000	1 219 878
including:				
	5801	1 630 000	1 625 000	1 219 878
Given - total	5810	-	-	-
including:				
	5811	-	-	-

9. Government aid

Item	Code	2015		2014	
		At the beginning of the year	Received during the year	Repaid during the year	At the end of the year
Budgetary funds received - total	5900	-	-	-	-
including:					
for current expenditures	5901	-	-	-	-
for investments in non-current assets	5905	-	-	-	-
Budgetary loans - total					
including:					
in 2015	5910	-	-	-	-
in 2014	5920	-	-	-	-
in 2015	5911	-	-	-	-
in 2014	5921	-	-	-	-

Notes

to the accounting (financial) statements of AO Ranbaxy for 2015.

1. Information about the Company

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

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

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

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

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

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

1.6. The Company has no subsidiaries or affiliates.

1.7. Information about standalone subdivisions.

- On December 19, 2008, a standalone subdivision "Warehouse for wholesaling medicinal products" was established and registered at its location (address: 2, let. B, B2 Dachnaya Street, Village of Davydovskoye, Luchinskoye Rural Settlement, Istra District, Moscow Region, 143521, Russian Federation) with Inspectorate of the Federal Tax Service of Russia for the town of Istra, Moscow Region.
On April 14, 2014, the location of the subdivision was changed (new address: 244 Village of Leshkovo, Istra District, Moscow Region, Russian Federation).
- On May 7, 2009, a standalone subdivision was established and registered at its location (address: 12 B Tambovskaya Street, St. Petersburg, 192007, Russian Federation) with Interdistrict Inspectorate of the Federal Tax Service of Russia No. 27 in St. Petersburg.
- On September 15, 2009, a standalone subdivision was established and registered at its location (address: 44/17 Dekabristov Street, Yekaterinburg, Sverdlovsk Region, 620142, Russian Federation) with Inspectorate of the Federal Tax Service of Russia for Leninsky District of Yekaterinburg.
- On September 15, 2009, a standalone subdivision was established and registered at its location (address: 104/32 Pushkinskaya Street, office No. 9, Rostov-on-Don, Rostov Region, 344006, Russian Federation) with Interdistrict Inspectorate of the Federal Tax Service of Russia No. 25 in Rostov Region.
- On April 29, 2014, a standalone subdivision was established and registered at its location (address: 1 Uritskogo Street, Suite No. 2, Samara, Samara Region, 443030, Russian Federation) with Inspectorate of the Federal Tax Service of Russia in Zheleznodorozhny District of Samara.

- On April 29, 2014, a standalone subdivision was established and registered at its location (address: 45 Dekabristov Street, Omsk, Omsk Region, 644024, Russian Federation) with Inspectorate of the Federal Tax Service of Russia No. 2 in Central Administrative District of Omsk.
- On April 29, 2014, a standalone subdivision was established and registered at its location (address: 111 Uritskogo Street, Suite No. 3, Krasnoyarsk, Krasnoyarsk Territory, 660049, Russian Federation) with Inspectorate of the Federal Tax Service in Central District of Krasnoyarsk.

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

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

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

1. General Director: Aman Khanna;
2. Financial Director: Vivek Kapur;
3. Chief Accountant: Svetlana Vladimirovna Kapustina (until November 17, 2015)
4. Since November 17, 2015, Vivek Kapoor has been acting Chief Accountant (appointed according to Order No. 8397 dated November 17, 2015 without being relieved from his duties at the principal place of employment).

2. Significant Accounting Policies.

2.1. *Accounting policy for bookkeeping purposes.*

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

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

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

- ordinary income is recorded in account 90.1.1 "Sales" when the products are shipped (transferred to the buyer) and payment documents for the shipped goods are passed to the buyer, taking into account the time of transfer of ownership. Ordinary income is income from activities that generate revenues accounting for more than 5 percent of total sales;

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

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

2.1.3. In accounting, expenses are determined in accordance with the Accounting Regulations "Expenses of Organizations" PBU 10/99. Expenses are recorded in the accounting records regardless of whether there is an

intention to generate revenue or other income and the form of expenses (cash, in kind, or other). Expenses are recognized in the reporting period in which they were incurred, irrespective of when cash is paid.

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

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

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

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

2.1.7. Annual revaluation of fixed assets is not performed.

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

- insurance expenses;
- passes;
- advertising.

as other current assets:

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

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

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

2.1.11. A provision for impairment of inventories is made at the end of the year taking into account the remaining shelf life. The amount of the provision is calculated on a monthly basis. Stock balance is determined at the end of the quarter and written down to market value. For goods with a remaining shelf life of no more than 6 months, the provision is made at 100 percent; for goods with a remaining shelf life of no less than 7 months but no more than 12 months, at 50 percent; and for goods with a remaining shelf life of no more than 50 percent and no less than 13 months as on the date the provision is recorded, at 25 percent. In addition, goods are measured on other factors in accordance with PBU 5/01.

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

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

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

2.1.15. Exchange rate gains and losses are shown in the profit and loss statement on a gross basis.

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

2.2. Accounting policy for tax purposes.

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

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

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

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

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

2.2.6. Depreciable assets include assets with an original cost of more than RUB 40,000 and a useful life of more than 12 months. Assets with a cost of less than RUB 40,000 are recorded within material expenses and are expensed in the manner prescribed for indirect costs (as a lump sum). Low-value assets written off are kept off-balance sheet until they are actually disposed of.

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

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

3. Financial and Economic Activities of the Company.

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

3.1.1. In 2015, revenues from sales of goods within operating activities totaled RUB 3,630,734 thousand (excluding VAT), which makes up 99.92 percent of total sales; other income from sales of fixed assets amounted to RUB 3,059 thousand (excluding VAT), which accounts for 0.08 percent of total sales. Gross operating profit was RUB 1,393,986 thousand.

In 2014, revenues from sales of goods within operating activities totaled RUB 2,950,622 thousand (excluding VAT); gross operating profit amounted to RUB 938,191 thousand.

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

3.1.2. In 2015, the Company generated RUB 394,394 thousand in profit from sales versus RUB 290,552 thousand in 2014 (up 36 percent).

The growth in profit is attributable to the following factors:

- an increase in revenues by RUB 680,112 thousand (or 23.05 percent);
- a decrease in the share of production cost in relation to revenue by 6.59 percent (61.61 percent in 2015 and 68.20 percent in 2014). The reduction in production cost was mainly due to the lowering of customs duty rates for pharmaceutical products from September 1, 2014.

3.1.3. The structure of business expenses is as follows:

Structure of business expenses

	2015	2014	Change
--	------	------	--------

Payroll and provisions	519,138	321,407	197,731
Allocations to funds	96,490	57,765	38,725
Advertising	107,165	74,628	32,537
Marketing	23,765	15,691	8,074
Processing of goods	35,567	35,785	(218)
Certification	9,664	9,879	(215)
Maintenance and repair of motor vehicles	33,246	20,038	13,208
Car lease	32,680	15,790	16,890
Insurance	30,720	19,643	11,077
Lease	15,402	14,063	1,339
Depreciation	22,392	13,884	8,508
Travel expenses	25,842	13,311	12,531
Hospitality expenses	2,675	791	1,884
Audit	3,632	4,674	(1,042)
Software products	5,418	3,716	1,702
Other material costs	11,967	8,185	3,782
Other expenses	23,829	18,389	5,440
Total	999,592	647,639	351,953

Payroll and provisions account for the largest share of the Company's business expenses (51.93 percent), with advertising expenses being another major contributor (10.72 percent); compared to the previous year, payroll increased while advertising expenses slightly decreased. Advertising was conducted via TV, radio, and public transport.

The Company increased its staffing in 2015. The average number of employees in 2015 was 429 versus 289 in 2014, representing a 48.44 percent increase (by 140 persons).

3.1.4. The Company's accounts receivable from customers and buyers as at December 31, 2015 amounted to RUB 1,572,432 thousand vs. RUB 1,302,004 thousand as at December 31, 2014.

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

	At the beginning of the period	Creation of provision	Use of provision	Reversal of provision	At the end of the period
2015	37,891	46,063	0	(37,891)	46,063
2014	37,891	51,209	(13,318)	(37,891)	37,891

At the end of 2015, Company created a provision for doubtful debts for the following organizations:

- for accounts receivable from buyers:

- ZAO Genesis in the amount of RUB 7,764,525.34 (seven million, seven hundred sixty-four thousand, five hundred twenty-five and 34/100 rubles).
- Regional State Unitary Enterprise "Primorsk Regional Pharmacy" in the amount of RUB 191,840.47 (one hundred ninety-one thousand, eight hundred forty and 47/100 rubles).
- ZAO Shreya Corporational in the amount of RUB 29,934,968.35 (twenty-nine million, nine hundred thirty-four thousand, nine hundred sixty-eight and 35/100 rubles).
- ZAO Rosta in the amount of RUB 8,171,691.53 (eight million, one hundred seventy-one thousand, six hundred ninety-one and 53/100 rubles).

The Company was the plaintiff (applicant) in the following legal proceedings:

In 2012, in the proceedings in the Arbitration Court of Moscow against Shreya Corporational (Closed Joint

Stock Company) regarding entering the Company in the register of creditors. Claims of AO Ranbaxy were included in the register of creditors in accordance with the Ruling of the Arbitration Court of Moscow dated February 13, 2012 in case No. A40-57173/1073-296 "B".

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

On October 2, 2013, the Arbitration Court of Primorsk Territory issued a ruling in case No. A51-9651/2013 to include the claims of AO Ranbaxy in the amount of RUB 219,341.27 in the register of creditors of Regional State Unitary Enterprise "Primorsk Regional Pharmacy" as a third-priority creditor. The bankruptcy proceedings will last until June 15, 2016.

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

	At the beginning of the period	Creation of provision	Use of provision	Reversal of provision	At the end of the period
2015	1,048		-	-	1,048
2014	-	1,048	-	-	1,048

- for accounts receivable from suppliers:

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

On November 28, 2014, the Arbitration Court of Moscow issued a decision to recover the debt from ZAO TK Novatorrus-Invest in favor of AO Ranbaxy. Currently, the recovery is not possible due to insolvency of ZAO TK Novatorrus-Invest and the transfer of control to the liquidation commission. However, on January 23, 2015 TK ZAO Novatorrus-Invest was declared insolvent (bankrupt) by the Arbitration Court of Moscow. The claims of AO Ranbaxy in the amount of RUB 1,048,078.94 have been included in the register of creditors (ruling dated May 18, 2015 in case No. A40-175755/2014). The bankruptcy proceedings will last until July 25, 2016.

The total provision for losses at the end of 2015 for accounting and tax purposes amounts to RUB 46,063 thousand. The provision made at the end of 2015 for accounting purposes amounts to RUB 1,048 thousand.

The Company's accounts payable to suppliers and contractors as at December 31, 2015 totaled RUB 1,627,497 thousand. Accounts payable to suppliers increased significantly, by 55.06 percent (to RUB 577,901 thousand) compared to the previous year (in 2014, they amounted to RUB 1,049,596 thousand). The most increase was in payables to main suppliers of pharmaceutical products due to an increase in purchases of goods at the end of the year. The merchandise stock as at December 31, 2015 was RUB 711,151 thousand against RUB 452,446 thousand as at December 31, 2014 (up 57.18 percent).

The key suppliers of AO Ranbaxy in 2015 were SUN PHARMACEUTICAL INDUSTRIES LTD (formerly Ranbaxy Laboratories Limited (India) (takeover), Ranbaxy Therapy (Romania) and Sun Pharmaceutical Industries Ltd, with accounts payable to Ranbaxy Laboratories Ltd amounting to RUB 1,075,966 thousand (66.23 percent of total payables), to Ranbaxy Therapy – to RUB 463,714 thousand (28.54 percent of total payables), and

to Sun Pharmaceutical Industries Ltd - to RUB 84,919 thousand (5.23 percent of total payables.).

3.1.5

In 2015, the Company paid interest of RUB 12,747 thousand on a short-term loan received in 2009 from Ranbaxy (Netherlands) and a long-term loan received in 2013 from Ranbaxy (Netherlands), which was reclassified into a short-term loan in 2014 as the remaining time to maturity at the year end was less than one year.

3.1.6. In 2015, the Company placed funds in short-term bank deposits. Total income from deposits amounted to RUB 24,009 thousand.

Interest accrued on bank balances amounted to RUB 1,711 thousand.

At the end of 2015, the funds placed on short-term deposits with OAO Sberbank amounted to RUB 425,000 thousand with the maturity dates in January 2016.

3.1.7. Other income and expenses of the Company recorded in lines 2340 and 2350 of the Profit and Loss Statement for 2015 were as follows:

Description	Other income (RUB'000)	Other expenses (RUB'000)
Exchange differences	138,128	(253,860)
Provision for impairment of inventory	83,087	(91,418)
Provision for doubtful debts	37,891	(46,063)
Provision for returned goods	357	(149)
Destruction of pharmaceutical products		(3,897)
Awards to suppliers	42,220	
Bonuses to buyers		(201,519)
Insurance indemnity / expenses for insured events	774	(19)
Write-off of accounts receivable / payable		(120)
Sales and write-offs of fixed assets	3,059	(479)
Taxes		(505)
Bank services		(987)
VAT expensed		(402)
Other	1,027	(875)
Total	306,543	(600,293)

Other income and expenses of the Company recorded in lines 2340 and 2350 of the Profit and Loss Statement for 2014 were as follows:

Description	Other income (RUB'000)	Other expenses (RUB'000)
Exchange differences	36,691	(229,999)
Provision for impairment of inventory	187,462	(194,286)
Provision for doubtful debts	51,209	(52,258)
Provision for returned goods	111	(69)
Destruction of pharmaceutical products		(328)
Awards to suppliers	32,464	
Bonuses to buyers		(165,885)
Insurance indemnity / expenses for insured events	1,552	(462)
Write-off of accounts receivable / payable	429	(1)
Sales and write-offs of fixed assets	1,112	(419)
Taxes		(483)
Bank services		(1,116)
Other	1,492	(1,694)
Total	312,522	(647,000)

3.1.8. According to the accounting data, in 2015 the Company earned a profit before tax of RUB 112,451 thousand; according to the tax accounting data, the Company received a profit of RUB 223,001 thousand. Provisional income tax expense amounted to RUB 22,490 thousand.

The permanent differences totaled RUB 105,995 thousand in 2015, resulting in a permanent tax liability of RUB 21,199 thousand. The bulk of this amount consisted of non-deductible expenses: the provision for impairment of goods, estimated liabilities, and medical insurance of employees' family members.

Deferred tax assets in 2015 amounted to RUB 1,578 thousand. This amount mainly comprised temporary differences related to amortization of intangible assets.

Deferred tax liabilities increased to RUB 668 thousand in 2015. A significant portion of deferred liabilities is comprised of the difference due to the fact that in accounting the customs duties and taxes are included in the cost of goods, while in tax accounting they are expensed as a lump sum amount.

In 2014, the Company made a loss before tax of RUB 41,534 thousand according to accounting records. According to tax accounting records, the Company received a profit of RUB 20,761 thousand. Provisional income tax expense amounted to RUB 8,307 thousand.

The permanent differences in 2014 totaled RUB 23,925 thousand, giving rise to a permanent tax liability of RUB 4,785 thousand. This amount was mainly comprised of non-deductible expenses: the provision for impairment of goods and medical insurance of employees' family members.

Deferred tax assets in 2014 amounted to RUB 6,381 thousand. This amount mainly consisted of temporary difference related to bonuses to buyers, which are recorded in the accounting records as estimated liabilities. In tax accounting, these amounts are recorded in the period in which primary documents are issued.

In 2014, deferred tax liabilities amounted to RUB 1,293 thousand. A significant portion of deferred liabilities is comprised of the difference due to the fact that in accounting the customs duties and taxes are included in the cost of goods, while in tax accounting they are expensed as a lump sum amount.

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

4. Social Indicators

Item No.	Indicator	2015	2014
1	Average number of employees	429	289
2	Accrued wages, compensation payments and provisions for vacation pay and payment of year end bonuses, RUB thousand	519,138	321,407
3	Amount of accrued contributions, RUB thousand	96,490	57,765

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

Item No.	Indicator	2015	2014
1	Authorized capital	163,000	3,000
2	Reserve capital	750	750
3	Retained earnings	464,791	434,043

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

The Company has decided to place 160,000 (one hundred sixty thousand) additional ordinary registered uncertified shares with a par value of RUB 1,000 (one thousand rubles) each through private subscription between Ranbaxy (Netherlands) B.V. and Ranbaxy Holdings (UK) Ltd with an offering price of RUB 1,000 (one thousand rubles) per share. Under Agreement No. 1 dated September 25, 2014, the Company sold 158,400 shares at the price of RUB 1,000 (one thousand rubles) each to Ranbaxy (Netherlands) B.V. Payment for the shares in the amount of RUB 158,400 thousand was made by offsetting counter claims (Agreement dated September 30, 2014).

Ranbaxy Holdings (UK) Ltd acquired 1,600 shares. The settlements were made in accordance within the terms of Share Purchase Agreement No. 2 dated September 25, 2014.

The Company registered an increase in the authorized capital in 2015.

6. Reference Data

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

Item		Balance sheet line code	At the beginning of the reporting period	At the end of the reporting period
I. Assets				
1.	Intangible assets	1,110	2,929	1,318
2.	Fixed assets	1,150	36,503	32,687
3.	Other non-current assets	1,190	-	-
4.	Income-bearing investments into tangible assets	1,160	-	-
5.	Long-term and short-term financial investments	1170+1240	235,000	425,000
6.	Other non-current assets	1120+1130+1140+1180	6,509	8,087
7.	Inventories	1,210	456,391	715,171
8.	Input VAT	1,220	3,532	525
9.	Accounts receivable	1,230	1,395,901	1,712,356
10.	Cash	1,250	43,782	141,548
11.	Other current assets	1,260	1,181	954
12.	Total assets taken into account in the calculation (sum of items 1-11)		2,181,728	3,037,646
II. Liabilities				
13.	Long-term liabilities under loans and credits	1,410	-	-
14.	Other long-term liabilities	1420+1450	4,604	5,272
15.	Short-term liabilities under loans and credits	1,510	387,289	508,213
16.	Accounts payable	1,520	1,251,473	1,668,154
17.	Estimated liabilities	1,540	138,581	227,466
18.	Other current liabilities	1,550	-	-
19.	Total liabilities taken into account in the calculation (sum of items 13-19)		1,781,947	2,409,105
20.	Net asset value of the company (total assets taken into account in the calculation (item 12) less total liabilities taken into account in the calculation (item 19))		399,781	628,541

In 2015, the Company's net assets increased by RUB 228,760 thousand.

6.2. Information on the leased premises.

As at December 31, 2015, AO Ranbaxy did not have its own premises.

In 2015, lease contracts with the following organizations were in effect:

- **OOO SP Tekhnopark** (Moscow office).

Contract dated February 6, 2015 (unnumbered) for 437.80 square meters (monthly rent: RUB 511,050.07, including VAT). The contract expires on September 30, 2015. Contract dated September 7, 2015

(unnumbered) for 569.70 square meters. Supplementary Agreement dated November 26, 2015 for 1,231.90 square meters (monthly rent for 1,231.90 square meters: RUB 1,438,015.31, including VAT). The contract expires on August 31, 2016.

- **OOO Inzhstroyservis** for 35.3 square meters (Yekaterinburg office).
Contract dated March 1, 2015. Monthly rent: RUB 30,800.00 (excluding VAT). The contract expires on January 31, 2016.
- **OOO Inform-Future** for 80.7 square meters (St. Petersburg office).
Contract dated February 10, 2009 (unnumbered), Supplementary Agreement No. 3 dated January 1, 2015 (monthly rent in 2015: RUB 110,902.78, including VAT). A contract with automatic renewal and 10% indexation.
- **OOO Inform-Future** for 3.7 square meters (a utility room in St. Petersburg).
Contract dated April 1, 2009 (unnumbered), Supplementary Agreement dated January 1, 2015 (monthly rent in 2015: RUB 3,509.56, including VAT). A contract with automatic renewal and 10% indexation.
- **OOO UK Pyat morej** for 32 square meters (Rostov-on-Don office).
Contract No. 42 dated September 9, 2014 (fixed monthly payment: RUB 20,000.00; variable rental payment: RUB 6,000.00, including VAT (October 15 - April 15) and RUB 3,000 (April 16 - October 14). Term of the contract: 11 months. Contract No. 88 dated June 1, 2015: RUB 22,000.00, variable rental payment: RUB 6,000.00. Term of the contract: 11 months.
- **ZAO Santens Service** for 506.50 square meters (warehouse)
Contract No. SA-03-01/14 dated January 14, 2014 (monthly rent: RUB 313,703.00, including VAT). A contract with a automatic renewal.
- **ZAO SPTB** for 29.3 square meters (Samara office).
Contract No. 21 dated January 17, 2014 (monthly rent: RUB 14,650.00, including VAT). Contract expiration date: not set.
- **OOO Business Center** for 31 square meters (Omsk office).
Contract dated February 1, 2014 (unnumbered) (monthly rent: RUB 15,345.00, including VAT). The contract expires on November 30, 2014.
- **Individual entrepreneur V.A. Kataeva** for 40 square meters (Krasnoyarsk office).
Lease Contract dated January 18, 2015 (monthly rent: RUB 35,000.00, from February 2015: RUB 40,000.00, excluding VAT). The contract expires on December 18, 2015. Lease Contract dated February 19, 2015 (monthly rent: RUB 40,000.00). The contract expires on November 19, 2016.
- **Market Style OOO** for 31 square meters (Omsk office)
Sublease Contract dated November 1, 2015 (unnumbered) (monthly rent: RUB 15,345.00). The contract expires on September 30, 2016
- **TD VDNKh:** (a utility room in Moscow)
Contract for 92.0 square meters No. 762_15_319 dated May 15, 2015 (monthly rent: RUB 63,354.85). The contract expires on December 31, 2015.
Sublease Contract for 81.50 square meters No. 1021_15_618_1 dated December 1, 2015 (monthly rent: RUB 63,354.03). The contract expires on December 31, 2015.

6.3. Additional information about the goods rejection procedure.

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

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

The Company has entered into contracts for destruction of rejected goods with the following companies:

OOO National Ecological Company: contract for pharmaceutical waste collection and disposal services No. N77-140/13 dated June 6, 2013 (License No. 076/00115 issued on March 22, 2013) with an automatic renewal clause.

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

Structure of the accrued amounts in favor of the Company's employees in 2015:

Subdivision	2015, RUB'000	2015, %	2014, RUB'000	2014, %
Head Office (Moscow)	226,027	59.20%	177,032	59.20 %
Standalone subdivision in St. Petersburg for the North-West and Volga Region	38,010	10.53 %	31,488	10.53 %
Standalone subdivision in Rostov-on-Don	73,984	12.58 %	37,620	12.58 %
Standalone subdivision in Yekaterinburg	39,726	5.91 %	17,685	5.91 %
Standalone subdivision in Krasnoyarsk	43,721	3.58 %	10,671	3.58 %
Standalone subdivision in Omsk	26,108	1.91 %	5,725	1.91 %
Standalone subdivision in Samara	48,240	5.33 %	15,944	5.33 %
Standalone subdivision Warehouse for wholesaling medical products in Istra District	2,896	0.96 %	2,877	0.96 %
Total	498,711	100 %	299,042	100 %

As at the end of 2015, the liabilities for payment of wages were discharged in full.

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

The employees' accrued and unused vacations as at December 31, 2015, including insurance contributions, made up RUB 30,130 thousand; bonuses based on 2015 results, including insurance contributions, were RUB 30,715 thousand.

In 2016 the Company plans to accrue and pay the following amounts (short-term remuneration) to the key management personnel: labor remuneration in the amount of RUB 34,790 thousand and paid annual leaves in the amount of RUB 1,956 thousand;

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

6.6. Notes to the Balance Sheet

6.6.1. The receivables recorded in the balance sheet line 1230 are short-term and amount to RUB 1,712,356 thousand. There are no long-term receivables. When preparing the balance sheet, the Company additionally discloses receivables relating to settlements with accountable persons and other settlements with employees; for comparison purposes, the balance sheet shows settlements as at December 31, 2014 and December 31, 2015.

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

Type	2015	2014
Settlements on advances issued	26,274	14,032
Settlements with buyers and customers	1,572,431	1,302,004
Settlements with the budget (PIT)	473	447
Settlements with the budget (VAT)	-	-
Settlements with the budget (advance income taxes)	44,675	41,499
Other taxes and levies	-	-
Payments to extra-budgetary funds	4,862	2,984
Settlements with accountable persons	11,317	3,490
Settlements with employees on loans issued	5,805	2,549
Insurance settlements	-	-
Settlements of claims	3,160	154
Settlements with other debtors	43,359	28,742
TOTAL	1,712,356	1,395,901

6.7. Notes to the Profit and Loss Statement

6.7.1. Information on the expenses on ordinary activities.

The expenses on ordinary activities (production cost and business expenses) reported in the Profit and Loss Statement for 2015 amount to RUB 3,236,340 thousand. The cost of goods sold is RUB 2,236,748 thousand. Business expenses amount to RUB 999,592 thousand.

In the Profit and Loss Statement for 2014, expenses on ordinary activities (production cost and business expenses) amount to RUB 2,660,070 thousand. The cost of goods sold is RUB 2,012,431 thousand. Business expenses amount to RUB 647,639 thousand.

6.8. Notes to the Statement of Cash Flows

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

	2015	2014
Value added tax (balance)	-	-
Refund of taxes and levies from the budget	57,969	77,805
Refunds from customs authorities	5,829	1,047
Insurance indemnity	798	3,190
Other refunds	3,538	1,426
TOTAL	68,134	83,468

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

	2015	2014
Customs payments	110,977	136,354
Payment of taxes and contributions (other than income tax and VAT)	103,661	98,303
Payment for insurance	33,694	20,511
Advances to employees	38,045	22,665
Interest-free loans to employees	9,576	4,340
Payment of bonuses and return of goods by buyers	2,364	1,008
Value added tax (balance)		
Other payments	42,629	37,009
TOTAL	340,946	320,190

In 2015 the Company applied the method of accounting for customs payments to report cash flows: payment of VAT to the customs is shown as a separate item of cash flows and reduces the VAT balance in the Statement of Cash Flows, which is recorded within other payments in line 4129.

6.9. Other data

6.9.1. Inspections by the Social Insurance Fund.

- In 2016, the State Institution of the Moscow Regional Department of the Social Insurance Fund of the Russian Federation (Branch No. 8) conducted a desk audit to check the expenses on payment of insurance coverage for compulsory social insurance against temporary disability and insurance for maternity, which resulted in Decision No. 1063 dated August 5, 2015 regarding allocation of funds for reimbursement of the insurer's expenses on payment of insurance indemnity in the amount of RUB 4,630,944.55.

6.9.2. Events after the balance sheet date.

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

The Company registered an increase in the amount of the authorized capital in 2015.

6.9.3. Provisions, contingent assets and liabilities

In accordance with PBU 8/2010, the Company made the following provisions for future expenses as at December 31, 2015:

- for payment of annual bonuses to employees in the amount of RUB 30,715 thousand;
- the payment of quarterly bonuses to employees in the amount of RUB 14,794 thousand;
- for future vacation payments in the amount of RUB 30,130 thousand;
- for returned goods in the amount of RUB 366 thousand;
- for imprest cash in the amount of RUB 11,275 thousand;
- for other expenses in the amount of RUB 14,271 thousand;
- for future expenses on bonuses to buyers for 2014 in the amount of RUB 125,914 thousand. The estimated liability for payment of bonuses to buyers was based on monetary valuation by the Company's management.

The Company has no contingent assets and liabilities.

In accordance with PBU 8/2010, the Company made the following provisions for future expenses as at December 31, 2014:

- for payment of annual bonuses to employees in the amount of RUB 27,675 thousand;
- for payment of quarterly bonuses to employees in the amount of RUB 6,580 thousand;
- for future vacation payments in the amount of RUB 20,169 thousand;
- for fuel and lubricants in the amount of RUB 1,546 thousand;
- for returned goods in the amount of RUB 574 thousand;
- for imprest cash in the amount of RUB 3,487 thousand;
- for other expenses in the amount of RUB 11,510 thousand;
- for future expenses on bonuses to buyers for 2013 in the amount of RUB 67,040 thousand. The estimated liability for payment of bonuses to buyers was based on monetary valuation by the Company's management.

The Company has no contingent assets and liabilities.

6.9.4. Related party transactions

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

<i>Related parties</i>	<i>Types of transactions</i>	<i>Applied pricing methods for each type of transactions</i>	<i>Volume of transactions in 2015</i>	<i>Volume of transactions in 2014</i>
SUN PHARMACEUTICAL INDUSTRIES LTD (India)	Purchase of goods	According to the agreement (market price)	RUB 1,082,521 thousand	RUB 1,334,032 thousand
SUN PHARMACEUTICAL INDUSTRIES LTD (India)	Receipt of a bonus for purchasing volume	According to the agreement	-	RUB 248 thousand
SUN PHARMACEUTICAL INDUSTRIES LTD (India)	Compensation for discount given to the buyer	According to the agreement	RUB 4,248 thousand	RUB 769 thousand
Ranbaxy Therapy	Purchase of goods	According to the agreement (market price)	RUB 894,400 thousand	RUB 635,307 thousand
Ranbaxy Therapy	Receipt of a bonus for purchasing volume	According to the agreement	RUB 37,973 thousand	RUB 31,765 thousand
Representative Office of Ranbaxy Laboratories Ltd.	Purchase of fixed assets	According to the agreement (market price)	RUB 6211 thousand	RUB 25,964 thousand
Ranbaxy (Netherlands) B.V.	Repayment of a long-term loan	According to the set-off agreement	-	USD 4,127 thousand
Ranbaxy (Netherlands) B.V.	Repayment of a short-term loan		-	USD 4,000 thousand
Ranbaxy (Netherlands) B.V.	Accrual of interest under the short-term loan agreement	3M Libor + 150 bp p.a.	USD 203 thousand	USD 74 thousand
Ranbaxy (Netherlands) B.V.	Accrual of interest under the long-term loan agreement	3M Libor + 150 bp p.a.	-	USD 256 thousand

Accounts receivable and payable to related parties of the Company as at December 31, 2015 were as follows:

in RUB'000

Related party	Amount of accounts receivable (payable) 2015	Amount of accounts receivable (payable) 2014
SUN PHARMACEUTICAL INDUSTRIES LTD (India)	(1,075,666)	(713,898)
Ranbaxy Therapy (Romania)	(463,714)	(332,022)
Ranbaxy (Netherlands) B.V. (for received loans and loan interest)	(508,213)	(387,289)
Ranbaxy (Netherlands) B.V. (for contributions to the authorized capital)	-	(158,400)
Representative office of Ranbaxy Laboratories Ltd.	No receivables/payables	No receivables/payables

Cash flows from related parties were as follows:

Related party	Types of transactions	Amount in 2015	Amount in 2014
SUN PHARMACEUTICAL INDUSTRIES LTD (India)	Payment for goods	RUB 715,994 thousand	RUB 1,106,301 thousand
Ranbaxy Therapy	Payment for goods	RUB 724,736 thousand	RUB 395,886 thousand
Ranbaxy (Netherlands) B.V.	Repayment of a short-term loan		USD 4,000 thousand
Ranbaxy (Netherlands) B.V.	Repayment of a long-term loan		USD 4,127 thousand
Representative Office of Ranbaxy Laboratories Ltd.	Payment for fixed assets	RUB 3,908 thousand	RUB 25,964 thousand

Sun Pharmaceutical Industries Ltd.	Payment for fixed assets	RUB 279 thousand	
Ranbaxy (Netherlands) B.V.	Payment of interest under the loan agreement		USD 379 thousand

In 2015, the following amounts were accrued in favor of key management personnel: labor remuneration in the amount of RUB 22,965 thousand; paid annual leaves in the amount of RUB 1,206 thousand; rewards (bonuses) at year-end 2014 in the amount of RUB 3,836 thousand; preliminary bonuses based on the 2015 results in the amount of RUB 681 thousand; other bonuses in the amount of RUB 9,213 thousand; and compensatory payments in the amount of RUB 277 thousand. In 2015, the Company provided short-term interest-free loans to management personnel in the amount of RUB 2,069 thousand. No long-term payments to key management personnel were made in 2015.

In 2014, the following amounts were accrued in favor of key management personnel: labor remuneration in the amount of RUB 20,557 thousand; paid annual leaves in the amount of RUB 1,527 thousand; rewards (bonuses) at year-end 2013 in the amount of RUB 5,212 thousand; other bonuses in the amount of RUB 334 thousand; and compensatory payments in the amount of RUB 296 thousand. In 2014, the Company provided short-term interest-free loans to management personnel in the amount of RUB 1,033 thousand. No long-term payments to key management personnel were made in 2014.

6.10. Information about the risks of business activity

6.10.1 General information about potential major risks of business activity.

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

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

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

6.10.2 Disclosure of information about credit risks.

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

Management is making every possible effort to minimize the Company's risk exposure. In particular, the creditworthiness of customers is assessed on the basis of the contractors' financial statements, which is a prerequisite for establishing credit limits under contracts for supply of goods. Management believes that there are no significant losses for which no provision for impairment related to these and other receivables was made as at December 31, 2015.

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

As at December 31, 2015, the receivables secured by guarantees and sureties were as follows:

Buyer	Debt amount, rubles	Collateral amount	Guarantor / Surety
		rubles	
BSS LLC	13,347,346	20,000,000	VTB Bank OAO, branch in St. Petersburg
Grand Capital FC OOO	49,902,814	50,000,000	OAO Promsvyazbank
Katren NPK AO	523,922,600	650,000,000	OAO Katren (Russia)
Protek TsV ZAO	328,843,742	380,000,000	OAO Sberbank of Russia
Pulse FC OOO.	349,440,902	350,000,000	OAO Sberbank of Russia
Rosta ZAO	116,302,615	100,000,000	OAO Sberbank of Russia
Farmpespektiva OOO	27,566,436	80,000,000	Gazprombank OAO
Total	1,409,326,455	1,630,000,000	

6.10.3 Disclosure of information about liquidity risks.

The Company monitors the risk of liquidity shortage at the stage of developing a cash flow budget and reviewing its implementation. The Company aims to maintain a balance between the provision of money and flexibility through the use of loans granted by the parent company. The cash flow budget takes into account the timing of cash inflows and outflows from the Company's operations. Decisions to invest available funds or raise external funding are adopted based on the projected cash flows. Through implementation of the liquidity risk management policy the Company ensures the availability of sufficient cash to meet liabilities when due.

6.10.4 Disclosure of information about currency risks.

In 2015, the Company had payables denominated in the loan currency and incurred foreign currency liabilities related to payment of interest on loans, due to which the Company is exposed to currency risk. These transactions are denominated in US dollars. Due to the sharp devaluation of the ruble during 2015, the Company incurred significant foreign exchange losses totaling RUB 115,732 thousand.

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

Existence and movement of liabilities denominated in foreign currencies:

	Liabilities denominated in US dollars (USD'000)	Liabilities denominated in Euros (EUR'000)
Balance as at December 31, 2014	6,884	none
New liabilities	203	none
Repaid	(114)	none
Balance as at December 31, 2015	6,973	none

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

	Exchange rate as at December 31, 2015	Exchange rate as at December 31, 2014
US dollar (USD)	72.8827	56.2584

After the balance sheet date, the exchange rate of the ruble appreciated by 5.59 percent against the US dollar and was 68.8086 rubles for one US dollar at the date of signing these accounting statements.

6.10.5 Disclosure of information about other risks.

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

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

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

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

The tax risks resulting from all these facts considerably exceed those that are customary for companies in countries with a better developed tax system. Management believes that the relevant provisions of legislation have been interpreted correctly and that the probability of maintaining the status of the Company in the context of tax, currency and customs legislation as at December 31, 2015 is high.

6.11. Summary.

According to the results of its activities in 2015, the Company earned a profit of RUB 68,760 thousand. In 2015, sales increased by 18.73 percent, while the share of cost in sales, which amounted to 61.61 percent in 2015 vs. 68.20 percent in 2014, decreased by 6.59 percent and the share of business expenses increased by 40.32 percent (27.53 percent in 2015 vs 21.95 percent in 2014), mainly due to the increase in the number of employees.

There was a slight decrease of 1.91 percent in other income in 2015 while other expenses also decreased slightly (by 7.22 percent).

As a result of the Company's investment activities, namely, placement of funds in bank deposits, the Company made a profit of RUB 24,010 thousand in 2015.

Acting Director General

_____ / Vivek Kapur /

March 22, 2016