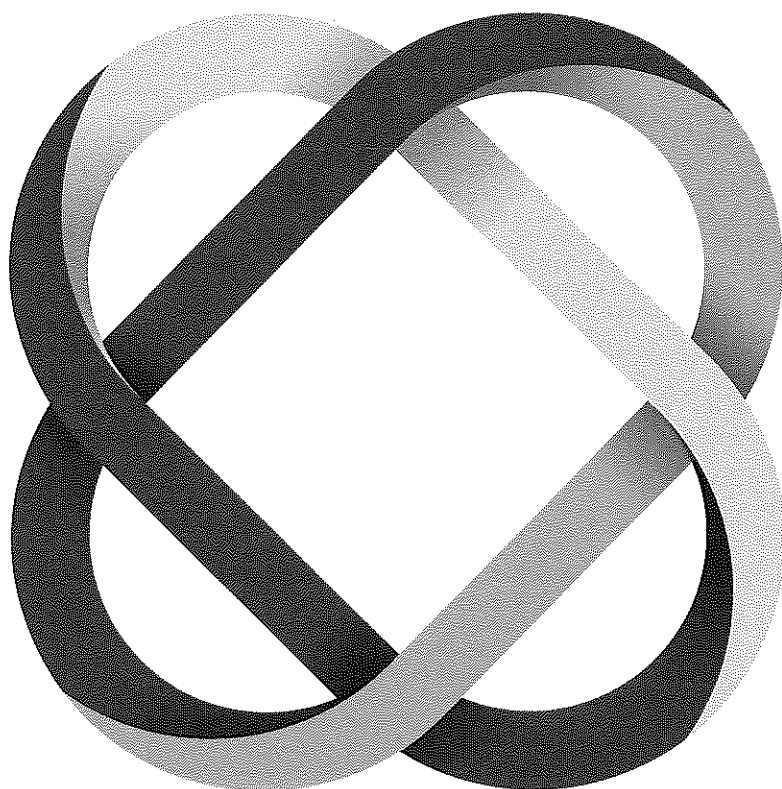


Joint-Stock Company RANBAXY

Independent Auditor's report on the financial statements

for the period ended December 31, 2018

Moscow | 2019



Independent Auditor's Report [Translation from Russian original]

To the Shareholders of
Joint-Stock Company RANBAXY

Opinion

We have audited the accompanying financial statements of Joint-Stock Company RANBAXY (hereinafter – JSC RANBAXY), which comprise the balance sheet as at 31 December 2018, the statement of financial results for 2018, supplements to the balance sheet and the statement of financial results, including the statement of changes and the statement of cash flows for 2018, and notes to the financial statements for 2018.

In our opinion, the financial statements present fairly, in all material respects, the financial position of JSC RANBAXY as at 31 December 2018, its financial performance and its cash flows for 2018 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 (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.

Other Matter

The financial statements of JSC RANBAXY for the year ended 31 December 2017 were audited by another auditor, BDO Unicon, who expressed a qualified opinion on those statements on 26 March 2018.

Responsibilities of Management and 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 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 audited entity's internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management of the audited entity;
- 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 audited 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 audited entity to cease its ability 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 of the audited entity 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

L.A. Panfilova
Audit qualification certificate dated 18 April 2005
No. K 022777, ORNZ 21203057643

Date of the auditor's report: 25 March 2019

Audited entity

Name:

Joint-Stock Company RANBAXY (JSC RANBAXY).

Place of business:

27/8 Elektrozavodskaya St., Room 14/1, Moscow, 107023, Russian Federation.

Official registration:

State Registration Certificate series 77 No. 006830744 issued by Interdistrict Inspectorate of the Ministry of Taxes and Levies of the Russian Federation No. 46 on 20 May 2004. The registration entry was made in the Unified State Register of Legal Entities on 20 May 2004 under primary state registration number (OGRN) 1047796353846.

Auditor

Name:

FBK, LLC

Place of business:

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

Official registration:

State Registration Certificate series IO3 3 No. 484.583 ПП issued by Moscow Registration Chamber on 15 November 1993. The registration entry was made in the Unified State Register of Legal Entities on 24 July 2002 under primary state registration number (OGRN) 1027700058286.

Membership in a self-regulatory auditor organization:

Self-regulatory organization of auditors Association "Sodruzhestvo".

Number in the register of audit organizations registered with the self-regulatory audit organization:

Certificate of membership in the Self-regulatory organization of auditors Association "Sodruzhestvo" No. 7198, principal number of registration entry (ORNZ) – 11506030481.

Balance Sheet
as at 31 December 2018

		Codes		
		OKUD form 0710001		
Date (day, month, year)		31	12	2018
Entity	Joint-Stock Company RANBAXY	OKPO 72983356		
Taxpayer identification number		INN 7720508094		
Type of economic activity	Wholesaling of pharmaceutical and medical products	OKVED 46.46.1		
Organizational legal form / form of ownership	Ownership of foreign legal entities	12267	23	
Joint-Stock Company	/ entities	OKOPF / OKFS		
Measurement unit:	thousand Rubles	OKEI 384		
Location (address)	27 Elektrozavodskaya ul., bldg. 8, room 14/1, Moscow, 107023, Russia			

Notes	Item	Code	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
	ASSETS				
	I. NON-CURRENT ASSETS				
6.1.1.	Intangible assets	1110	15 126	18 140	7 233
	Results of research and development	1120	-	-	-
	Intangible development assets	1130	-	-	-
	Tangible development assets	1140	-	-	-
6.1.2.	Fixed Assets	1150	4 164	7 996	19 125
	Income-bearing investments into tangible assets	1160	-	-	-
6.1.3.	Financial investments	1170	-	-	-
6.1.4.	Deferred tax assets	1180	6 660	13 540	16 202
	Other non-current assets	1190	-	-	-
	Total for Section I	1100	25 951	39 676	42 560
	II. CURRENT ASSETS				
6.1.5.	Inventories	1210	1 069 518	945 288	851 721
6.1.6.	Input value added tax	1220	258	9 916	55
6.1.7.	Accounts receivable	1230	2 580 421	2 317 488	2 172 551
6.1.8.	Financial investments (excluding cash equivalents)	1240	480 340	200 000	412 333
6.1.9.	Cash and cash equivalents	1250	91 161	68 793	144 221
	Including:		-	-	-
6.1.9.	Cash on hand		16	14	11
6.1.9.	Operating accounts		91 143	68 438	144 154
6.1.9.	Foreign currency accounts		1	341	56
6.1.10.	Other current assets	1260	825	1 481	1 597
	Total for Section II	1200	4 222 523	3 542 967	3 582 478
	BALANCE	1600	4 248 474	3 582 642	3 625 038

Notes	Item	Code	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
	LIABILITIES				
	III. CAPITAL AND RESERVES				
5.1	Share capital (contributed capital, charter capital, contributions of partners)	1310	163 000	163 000	163 000
	Treasury shares	1320	-	-	-
	Revaluation of non-current assets	1340	-	-	-
	Additional capital (without revaluation)	1350	-	-	-
5.1	Reserve capital	1360	40 750	750	750
5.1	Retained earnings (uncovered loss)	1370	911 761	740 300	676 733
	Total for Section III	1300	1 115 511	904 050	840 483
	IV. LONG-TERM LIABILITIES				
6.1.11.	Borrowings	1410	408 013	-	-
6.1.12.	Deferred tax liabilities	1420	7 729	6 291	5 402
	Estimated liabilities	1430	-	-	-
	Other liabilities	1450	-	-	-
	Total for Section IV	1400	415 742	6 291	5 402
	V. CURRENT LIABILITIES				
6.1.13.	Borrowings	1510	5 256	399 904	431 788
6.1.14.	Accounts payable	1520	2 379 173	1 833 703	2 019 379
	Deferred income	1530	-	-	-
6.1.15.	Estimated liabilities	1540	332 792	438 694	327 987
	Other liabilities	1550	-	-	-
	Total for Section V	1500	2 717 221	2 672 302	2 779 153
	BALANCE	1700	4 248 474	3 582 642	3 625 038

Director _____
(signature)

Artur Valiev
(print name)

February 13, 2019

Statement of Financial Results
for January–December 2018

		Codes		
	OKUD form	0710002		
	Date (day, month, year)	31	12	2018
Entity	<u>Joint-Stock Company RANBAXY</u>	OKPO 72983356		
Taxpayer identification number		INN 7720508094		
Type of economic activity	<u>Wholesaling of pharmaceutical and medical products</u>	OKVED 46.46.1		
Organizational legal form / form of ownership	<u>Ownership of foreign legal entities</u>	12267	23	
Joint-Stock Company	/ entities	OKOPF / OKFS		
Measurement unit:	thousand Rubles	OKEI 384		

Notes	Item	Code	For January–December 2018	For January–December 2017
3.1.1.	Revenue	2110	5 022 857	4 914 644
6.7.1.	Cost of sales	2120	(3,190,138)	(3,074,353)
3.1.1.	Gross profit (loss)	2100	1 832 719	1 840 291
3.1.3.	Business expenses	2210	(1,470,634)	(1,582,211)
	Management expenses	2220	-	-
3.1.2.	Profit (loss) on sales	2200	362 085	258 080
	Income from participation in other entities	2310	-	-
3.1.6.	Interest receivable	2320	5 715	17 593
3.1.5.	Interest payable	2330	(17,773)	(15,727)
3.1.7.	Other income	2340	597 259	129 520
3.1.7.	Other expenses	2350	(677 651)	(258,912)
3.1.9.	Profit (loss) before taxes	2300	269 635	130 554
3.1.9.	Current income tax	2410	(49,857)	(63,454)
3.1.9.	Including permanent tax liabilities (assets)	2421	(4,247)	(40,891)
3.1.9.	Change in deferred tax liabilities	2430	(1,438)	(890)
3.1.9.	Change in deferred tax assets	2450	(6,879)	(2,662)
	Other	2460	-	(1)
6.11.	Net profit (loss)	2400	211 461	63 547

Notes	Item	Code	For January–December 2018	For January–December 2017
	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	-	-
6.11.	Total financial result for the period	2500	211 461	63 547
	FOR REFERENCE ONLY			
	Basic earnings (loss) per share	2900	1	-
	Diluted earnings (loss) per share	2910	-	-

Director _____
(signature)

Artur Valiev _____
(print name)

February 13, 2019

Statement of Changes in Equity
for January–December 2018

Codes	
0710003	OKUD form
31	Date (day, month, year)
12	2018
72983356	OKPO
7720508094	INN
46.46.1	OKVED
12267	Ownership of foreign legal entities
23	OKOPF / OKFS
384	OKEI

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

1. Changes In Equity

Item	Code	Authorized capital	Treasury shares	Additional capital	Reserve capital	Retained earnings (uncovered loss)	Total
Equity as at 31 December 2016	3100	163 000	-	-	750	676 733	840 483
For 2017	3210	-	-	-	-	63 566	63 566
Including:							
Net profit	3211	X	X	X	X	63 566	63 566
Revaluation of assets	3212	X	X	-	X	-	-
Gains taken directly to equity	3213	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	Authorized capital	Treasury shares	Additional capital	Reserve capital	Retained earnings (uncovered loss)	Total
Total decrease in equity:	3220	-	-	-	-	-	-
Including:							
Loss	3221	X	X	X	X	-	-
Revaluation of assets	3222	X	X	-	X	-	-
Expenses directly charged to equity	3223	X	X	-	X	-	-
Reduction in par value of shares	3224	-	-	-	X	-	-
Reduction in number of shares	3225	-	-	-	X	-	-
Reorganization of the legal entity	3226	-	-	-	-	-	-
Dividends	3227	X	X	X	X	-	-
Change in additional capital	3230	X	X	-	-	-	X
Change in reserve capital	3240	X	X	X	-	-	X
Equity as at 31 December 2017	3200	163 000	-	-	750	740 300	904 050
For 2018							
Total increase in equity:	3310	-	-	-	-	211 461	211 461
Including:							
Net profit	3311	X	X	X	X	211 461	211 461
Revaluation of assets	3312	X	X	-	X	-	-
Gains taken directly to equity	3313	X	X	-	X	-	-
Additional issue of shares	3314	-	-	-	X	X	-
Increase in par value of shares	3315	-	-	-	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	40 000	(40,000)	X
Equity as at 31 December 2018	3300	163 000	-	-	40 750	911 761	1 115 511

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

Item	Code	As at 31 December 2016	Change in equity for 2017		As at 31 December 2017
			Due to net profit (loss)	Due to other factors	
Total capital					
Before adjustments	3400	-	-	-	-
Adjustments arising from:					
Changes in accounting policies	3410	-	-	-	-
Correction of errors	3420	-	-	-	-
After adjustments	3500	-	-	-	-
Including:					
Retained earnings (uncovered loss):					
Before adjustments	3401	-	-	-	-
Adjustments arising from:					
Changes in accounting policies	3411	-	-	-	-
Correction of errors	3421	-	-	-	-
After adjustments	3501	-	-	-	-
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 2018	As at 31 December 2017	As at 31 December 2016
Net assets	3600	1 115 511	904 050	840 483

Director _____ (signature) _____ **Artur Valiev** (print name)

February 13, 2019 _____

Statement of Cash Flows
for January–December 2018

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

Codes		
OKUD form 0710004		
Date (day, month, year)	31	12 2018
OKPO	72983356	
INN	7720508094	
OKVED	46.46.1	
OKOPF / OKFS	12267	23
	OKEI 384	

Item	Code	For January–December 2018	For January–December 2017
Cash flows from operating activities			
Total receipts	4110	4 780 919	4 781 909
Including:			
Sales of products, goods, works and services	4111	4 702 325	4 695 665
Lease payments, license fees, royalties, commissions, fees	4112	-	-
Resale of financial investments	4113	-	-
	4114	-	-
Other receipts	4119	78 594	86 244
Total payments	4120	(4,432,260)	(5,092,549)
Including:			
To suppliers (contractors) for materials, supplies, works and services	4121	(3,292,264)	(3,849,599)
Employee compensation	4122	(787,201)	(832,756)
Interest on debt obligations	4123	(17,278)	(25,366)
Corporate income tax	4124	(83,198)	(88,850)
	4125	-	-
Other payments	4129	(252,319)	(295,978)
Net cash flow from operating activities	4100	348 659	(310,640)
Cash flows from investing activities			
Total receipts	4210	7 383	237 227
Including:			
Sales of non-current assets (excluding financial investments)	4211	5 412	5 295
Sale of shares (interests) in other entities	4212	-	-
Loans repayments, sale of debt securities (monetary claims against other persons)	4213	-	212 410
Dividends, interest on financial debt investments and similar receipts from equity participation in other organizations	4214	1 971	19 522
	4215	-	-
Other receipts	4219	-	-
Total payments	4220	(285,459)	(1,011)
Including:			
Acquisition, creation, modernization, reconstruction and preparation of non-current assets for use	4221	(7,691)	(1,011)
Acquisition of shares (interests) in other entities	4222	-	-
Acquisition of debt securities (monetary claims against other persons), disbursement of loans	4223	(277,768)	-
Interest on debt liabilities, included into the cost of investment asset	4224	-	-
	4225	-	-
Other payments	4229	-	-
Net cash flow from investing activities	4200	(278,076)	236 216

Item	Code	For January–December 2018	For January–December 2017
Cash flows from financing activities			
Total receipts	4310	-	-
Including:			
Credit and loan proceeds	4311	-	-
Monetary contributions of owners (members)	4312	-	-
Issue of shares, increase in participatory interests	4313	-	-
Issue of bonds, bills and other debt securities, etc.	4314	-	-
	4315	-	-
Other receipts	4319	-	-
Total payments	4320	(56,086)	-
Including:			
To owners (members) in connection with repurchase of shares (interests) from them or termination of their	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	(56,086)	-
	4324	-	-
Other payments	4329	-	-
Financial operations cash flow balance	4300	(56,086)	-
Net cash flow for the reporting period	4400	14 497	(74,424)
Balance of cash and cash equivalents as at the beginning of the reporting period	4450	68 793	144 221
Balance of cash and cash equivalents as at the end of the reporting period	4500	91 162	68 793
Effect of changes in foreign exchange rates against the ruble	4490	7 872	(1,004)

Director _____
(signature)

Artur Valiev
(print name)

February 13, 2019

**Statement of Targeted Use of Funds
for January–December 2018**

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

Codes		
OKUD form 0710006		
Date (year, month, day)	2018	12 31
OKPO	72983356	
INN	7720508094	
OKVED	46.46.1	
OKOPF / OKFS	12267	23
OKEI	384	

Notes	Item	Code	For January–December 2018	For January–December 2017
	Balance of funds at the beginning of the reporting year	6100	-	-
	Funds received			
	Entrance fees	6210	-	-
	Membership fees	6215	-	-
	Target contributions	6220	-	-
	Voluntary property contributions and donations	6230	-	-
	Profit from income-bearing activities	6240	-	-
	Other	6250	-	-
	Total funds received	6200	-	-
	Funds used			
	Expenses for target events	6310	-	-
	Including:			
	Social and charitable assistance	6311	-	-
	Holding of conferences, meetings, seminars, etc.	6312	-	-
	Other events	6313	-	-
	Expenditures for administrative personnel	6320	-	-
	Including:			
	Expenses related to staff salary (including accruals)	6321	-	-
	Payments not related to staff salary	6322	-	-
	Expenses for official and business trips	6323	-	-
	Maintenance of premises, buildings, vehicles and other property (except for repairs)	6324	-	-
	Repair of fixed assets and other property	6325	-	-
	Other	6326	-	-
	Purchase of fixed assets, equipment and other property	6330	-	-
	Other	6350	-	-
	Total funds used	6300	-	-
	Balance of funds at the end of the reporting year	6400	-	-

Director _____
(signature)

Artur Valiev
(print name)

February 13, 2019

Calculation of the net asset value

Joint-Stock Company RANBAXY
(entity's name)

Item	Balance sheet line code	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
Assets				
Intangible assets	1110	15 126	18 140	7 233
Results of research and development	1120	-	-	-
Intangible development assets	1130	-	-	-
Tangible development assets	1140	-	-	-
Fixed assets	1150	4 164	7 996	19 125
Income-bearing investments into tangible assets	1160	-	-	-
Financial investments				
Long-term	1170	-	-	-
Deferred tax assets	1180	6 660	13 540	16 202
Other non-current assets	1190	-	-	-
Inventories	1210	1 069 518	945 288	851 721
Input value added tax	1220	258	9 916	55
Receivables*	1230	2 580 421	2 317 488	2 172 551
Financial investments				
Short-term	1240	480 340	200 000	412 333
Cash and cash equivalents	1250	91 161	68 793	144 221
Other current assets	1260	825	1 481	1 597
TOTAL ASSETS	-	4 248 474	3 582 642	3 625 038
Liabilities				
Borrowings				
Long-term	1410	408 013	-	-
Deferred tax liabilities	1420	7 729	6 291	5 402
Estimated liabilities				
Long-term	1430	-	-	-
Other liabilities				
Long-term	1450	-	-	-
Borrowings				
Short-term	1510	5 256	399 904	431 788
Accounts payable	1520	2 379 173	1 833 703	2 019 379
Estimated liabilities				
Short-term	1540	332 792	438 694	327 987
Other liabilities				
Short-term	1550	-	-	-
Total liabilities	-	3 132 963	2 678 593	2 784 555
Net asset value	-	1 115 511	904 050	840 483

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

**Notes to the Balance Sheet
and Statement of Financial Results (RUB'000)**

Form 0710005 p. 1

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

Item	Code	Period	At the beginning of the year		Changes over the period					At the end of the period		
			Historical cost	Accumulated amortization and impairment losses	Additions	Disposal		Revaluation		Historical cost	Accumulated amortization and impairment losses	
Total intangible assets	5100	2018	18 077	(8,456)	12 528	(321)	451	(7,970)	-	-	29 833	(15,974)
	5110	2017	12 195	(4,963)	5 881	-	-	(3,493)	-	-	18 077	(8,456)
Including: Other intangible assets	5101	2018	16 635	(7,961)	12 528	-	-	(7,734)	-	-	29 163	(15,695)
	5111	2017	11 278	(4,773)	5 356	-	-	(3,188)	-	-	16 635	(7,961)
Exclusive copyright to computer programs and databases	5102	2018	1 442	(495)	-	(321)	451	(236)	-	-	670	(279)
	5112	2017	917	(190)	525	-	-	(305)	-	-	1 442	(495)

1.2. Historical cost of intangible assets developed in-house

Item	Code	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
Total	5120	-	-	-
Including:	5121	-	-	-

1.3. Fully amortized intangible assets

Item	Code	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
Total	5130	4 587	4 834	4 587
Including:				
Other intangible assets	5131	4 587	4 587	4 587
Exclusive copyright to computer programs and databases	5132	-	247	-

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	Historical cost	Expensed portion
Total R&D	5140	2018	-	-	-	-	-	-	-
	5150	2017	-	-	-	-	-	-	-
Including:									
	5141	2018	-	-	-	-	-	-	-
	5151	2017	-	-	-	-	-	-	-

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	2018	-	-	-	-	-
	5170	2017	-	-	-	-	-
Including:	5161	2018	-	-	-	-	-
	5171	2017	-	-	-	-	-
Acquisitions of intangible assets in progress	5180	2018	8 519	5 277	(12,528)	1 267	
Intangible assets ---- total	5190	2017	-	14 400	(5,881)	8 519	
Including:							
Sketch of the visual concept TM "Coldact", Day and Night	5181	2018	-	460	-	460	
	5191	2017	-	-	-	-	
Sketch of the visual concept of "Brustan" pharmaceutical product	5182	2018	-	510	(510)	-	
	5192	2017	-	-	-	-	
Site "Brustan"	5183	2018	-	221	-	221	
	5193	2017	-	-	-	-	
Site "Neotravesil"	5184	2018	-	1 000	(1,000)	-	
	5194	2017	-	-	-	-	
Site "Fenules"	5185	2018	-	1 000	(1,000)	-	
	5195	2017	-	-	-	-	
Site "Viatile"	5186	2018	-	86	-	86	
	5196	2017	-	-	-	-	
Site "Pharyngosept"	5187	2018	-	1 000	(1,000)	-	
	5197	2017	-	-	-	-	
Site "Coldact"	5188	2018	-	1 000	(1,000)	-	
	5198	2017	-	-	-	-	
Videoclip "Coldact" TB10, TB20, Internet 20	5189	2018	8 019	-	(8,019)	-	
	5199	2017	-	8 019	-	8 019	
Loyalty system		2018	500	-	-	500	
		2017	-	500	-	500	
Picture "Through the clouds" for brand (Pharyngosept)		2018	-	-	-	-	
		2017	-	62	(62)	-	
Sketch of the visual concept TM "Coldact"		2018	-	880	(880)	-	
		2017	-	-	-	-	
Site "Fenules" (written-off/old site)		2018	-	525	(525)	-	
		2017	-	-	-	-	
Sketch of the layout design concept "Fenules"		2018	-	400	(400)	-	
		2017	-	-	-	-	
Videoclip "Stay in the saddle" Fenules		2018	-	4 015	(4,015)	-	
		2017	-	-	-	-	

Director _____ **Artur Valiev**
 (signature) _____
 (print name)

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2. Fixed Assets
2.1. Existence and movements of fixed assets

Item	Code	Period	At the beginning of the year		Changes over the period						At the end of the period	
			Historical cost	Accumulated amortization	Additions	Disposal		Revaluation		Accrued amortization	Historical cost	Accumulated amortization
						Historical cost	Accumulated amortization	Historical cost	Accumulated amortization			
Total fixed assets (excluding income-bearing investments into tangible assets)	5200	2018	69 337	(61,341)	1 387	(7,961)	7 822	(5,797)	-	-	62 763	(59,316)
	5210	2017	77 971	(58,846)	1 137	(9,771)	9 538	(12,033)	-	-	69 337	(61,341)
Including:												
Office equipment	5201	2018	14 446	(9,613)	1 387	(247)	184	(2,755)	-	-	15 586	(12,184)
	5211	2017	13 403	(6,225)	1 137	(95)	79	(3,467)	-	-	14 446	(9,613)
Vehicles	5202	2018	54 060	(51,085)	-	(7,714)	7 638	(2,894)	-	-	46 346	(46,341)
	5212	2017	63 609	(52,001)	-	(9,549)	9 332	(8,416)	-	-	54 060	(51,085)
Other fixed assets	5203	2018	157	(141)	-	-	-	(16)	-	-	157	(157)
	5213	2017	284	(251)	-	(127)	127	(17)	-	-	157	(141)
Machinery and equipment (except office equipment)	5204	2018	404	(312)	-	-	-	(80)	-	-	404	(391)
	5214	2017	404	(232)	-	-	-	(80)	-	-	404	(312)
Production and organizational stock	5205	2018	270	(190)	-	-	-	(53)	-	-	270	(244)
	5215	2017	270	(137)	-	-	-	(53)	-	-	270	(190)
Total income-bearing investments into tangible assets	5220	2018	-	-	-	-	-	-	-	-	-	-
	5230	2017	-	-	-	-	-	-	-	-	-	-
Including:												
	5221	2018	-	-	-	-	-	-	-	-	-	-
	5231	2017	-	-	-	-	-	-	-	-	-	-

2.2. Capital investments 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	Written off	Recognized as fixed assets or written up	
Construction in progress and acquisitions, modernization etc. of fixed assets in progress — total Including:	5240	2018	-	2 104	-	(1,387)	717
	5250	2017	-	1 137	-	(1,137)	-
Laptop HP PB 440 G5 14" intel Core i3 7100U	5241	2018	-	961	-	245	717
	5251	2017	-	-	-	-	-
Laptop HP PB 440 G5 i3-7100U + drive	5242	2018	-	872	-	872	-
	5252	2017	-	-	-	-	-
Switch Catalyst 2960-X 48 GigE, 4x1G SFP	5243	2018	-	186	-	186	-
	5253	2017	-	-	-	-	-
UPS APC Smart-UPS X 2200VA/1980W	5244	2018	-	85	-	85	-
	5254	2017	-	-	-	-	-
Server PE R630 8B Base v4	5245	2018	-	-	-	-	-
	5255	2017	-	416	-	416	-
PC Dell Optiplex 5050 VN i7 7700/8Gb/1Tb	5246	2018	-	-	-	-	-
	5256	2017	-	350	-	350	-
Switch Catalyst 2960-X 48 GigE	5247	2018	-	-	-	-	-
	5257	2017	-	225	-	225	-
Router with PC/CCC-CISCO1941/K9+Certificate+Voice module	5248	2018	-	-	-	-	-
	5258	2017	-	146	-	146	-

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

Item	Code	2018	2017
Total increase in the cost of fixed assets as a result of further construction, additional equipment, reconstruction	5260	-	-
Including:	5261	-	-
Total decrease in the cost of fixed assets as a result of partial liquidation	5270	-	-
Including:	5271	-	-

2.4. Other use of fixed assets

Item	Code	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
Leased fixed assets on the balance sheet	5280	-	-	-
Leased fixed assets off the balance sheet	5281	-	-	-
Leased property, plant and equipment on the balance sheet	5282	-	-	-
Leased property, plant and equipment off the balance sheet	5283	121 532	111 318	99 012
The items of immovable property accepted for operation and actually used, in process of state registration	5284	-	-	-
Fixed assets transferred to conservation	5285	-	-	-
Other use of fixed assets (collateral, etc.)	5286	-	-	-
	5287	-	-	-

Director _____ (signature)
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3. Financial investments 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 adjustment	Additions	Disposed of (repaid)		Accrual of interest (including to bring cost to par value)	In current market value (impairment loss)	Historical cost	Accumulated adjustment
						Historical cost	Accumulated adjustment				
Long-term - total	5301 5311	2018 2017	- -	- -	- -	- -	- -	- -	- -	- -	- -
Including:											
	5302	2018	-	-	-	-	-	-	-	-	-
	5312	2017	-	-	-	-	-	-	-	-	-
Short-term - total	5305 5315	2018 2017	200 000 412 333	- -	1 422 768 3 350 000	1 145 000 (3,425,000)	- (137,333)	- -	2 572 -	477 768 200 000	2 572 -
Including:											
Loans issued	5306	2018	-	-	-	-	-	-	-	-	-
	5316	2017	137 333	-	-	-	(137,333)	-	-	-	-
Bank deposits	5307 5317	2018 2017	200 000 275 000	- -	1 422 768 3 350 000	1 145 000 (3,425,000)	- -	- -	2 572 -	477 768 200 000	2 572 -
Total financial investments	5300 5310	2018 2017	200 000 412 333	- -	1 422 768 3 350 000	1 145 000 (3,425,000)	(137,333) -	- -	2 572 -	477 768 200 000	2 572 -

3.2. Other utilization of financial investments

Item	Code	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
Pledged financial investments — total	5320	-	-	-
Including:				
Investments transferred to third parties (except sale) — total	5321	-	-	-
Including:	5325	-	-	-
	5326	-	-	-
Other utilization of financial investments	5329	-	-	-

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4. Inventories
4.1. Existence and movements of inventories

Item	Code	Period	At the beginning of the year		Changes over the period				At the end of the period	
			Cost	Provision for impairment	Additions and costs	Disposed of		Impairment losses	Cost	Provision for impairment
						Cost	Provision for impairment			
Total inventory			1 047 477	(102,189)	3 456 253	(3,311,195)	62 601	(83,429)	1 192 535	(123,017)
			913 991	(62,269)	3 285 528	(3,152,041)	18 277	(58,197)	1 047 477	(102,189)
Including:										
Raw materials, supplies and other similar assets			1 297	-	34 809	(36,085)	-	-	21	-
			18	-	34 833	(33,554)	-	-	1 297	-
Finished products			-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-
Goods for resale			1 039 232	(102,189)	3 399 004	(3,253,737)	62 601	(83,429)	1 184 499	(123,017)
			907 463	(62,269)	3 231 141	(3,099,372)	18 277	(58,197)	1 039 232	(102,189)
Goods and finished products shipped			-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-
Work in progress costs			-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-
Other inventories and costs			6 948	-	22 440	(21,373)	-	-	8 015	-
			6 509	-	19 554	(19,115)	-	-	6 948	-
Deferred expenses (for analytical accounting items recorded within inventories)			-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-
			-	-	-	-	-	-	-	-

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

Item	Code	Period	At the beginning of the year		At the end of the period	
			Provision for doubtful debts accounted for under agreement	Bad debt provision	Provision for doubtful debts accounted for under agreement	Bad debt provision
Total long-term receivables	5501 5521	2018 2017	- -	- -	- -	- -
Including:						
Settlements with buyers and customers	5502	2018	-	-	-	-
	5522	2017	-	-	-	-
Advances made	5503	2018	-	-	-	-
	5523	2017	-	-	-	-
Other	5504	2018	-	-	-	-
	5524	2017	-	-	-	-
	5505	2018	-	-	-	-
	5525	2017	-	-	-	-
Total short-term receivables	5510 5530	2018 2017	2 424 077 2 182 093	(106 589) (9 543)	2 686 744 2 424 077	(106 324) (106 589)
Including:						
Settlements with buyers and customers	5511 5531	2018 2017	2 274 841 1 907 794	(105 541) (6 495)	2 596 869 2 274 841	(105 276) (105 541)
Advances made	5512	2018	74 882	(1 048)	21 417	(1 048)
	5532	2017	117 753	(1 048)	74 882	(1 048)
Other	5513	2018	74 354	-	66 459	-
	5533	2017	195 546	-	74 354	-
	5514	2018	-	-	-	-
	5534	2017	-	-	-	-
Total	5500 5520	2018 2017	2 424 077 2 182 093	(106 589) (9 543)	2 686 744 2 424 077	(106 324) (106 589)

5.2. Overdue receivables

Item	Code	As at 31 December 2018		As at 31 December 2017		As at 31 December 2016	
		Accounted for under contracts	Book value	Accounted for under contracts	Book value	Accounted for under contracts	Book value
Total	5540	(106,324)	-	(106,589)	-	(9,543)	-
Including:							
Settlements with buyers and customers	5541	(105,276)	-	(105,541)	-	(8,495)	-
Settlements with suppliers and customers (on advance payments, prepayments)	5542	(1,048)	-	(1,048)	-	(1,048)	-
Other	5543 5544	-	-	-	-	-	-

5.3. Existence and movements of payables

Item	Code	Period	Balance at the beginning of the year	Balance at the end of the period
Total long-term payables	5551 5571	2018 2017	-	408 013
Including:				
Credits	5552 5572	2018 2017	-	-
Loans	5553 5573	2018 2017	-	408 013
Other	5554 5574	2018 2017	-	-
	5555 5575	2018 2017	-	-
Total short-term payables	5550 5580	2018 2017	2 233 607 2 451 166	2 384 429 2 233 607
Including:				
Settlements with buyers and customers	5561 5581	2018 2017	1 812 401 1 968 636	2 329 275 1 812 401
Advances received	5582	2017	213	44
	5582	2018	258	213
Settlements on taxes and levies	5583	2018	4 623	39 552
	5583	2017	24 393	4 623
Credits	5564	2018	-	-
	5584	2017	-	-
Loans	5565 5585	2018 2017	398 904 431 786	5 256 399 904
	5585	2018	16 466	10 302
Other	5586 5567	2017 2018	26 101 -	16 466 -
	5587	2017	-	-
Total	5550 5570	2018 2017	2 233 607 2 451 166	2 384 429 2 233 607

5.4. Overdue accounts payable

Item	Code	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
Total	5590	-	-	-
Including:				
Settlements with buyers and customers	5591	-	-	-
Settlements with buyers and customers	5592	-	-	-
	5593	-	-	-

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(signature) (print name)

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6. Cost of production

Item	Code	2018	2017
Material expenses	5610	3 376 205	3 243 060
Labor costs	5620	586 308	609 444
Social security contributions	5630	141 320	140 389
Depreciation	5640	13 767	15 526
Other costs	5650	689 507	780 343
Total	5660	4 807 107	4 788 772
Change in balances (increase [-]): of work in progress, finished goods, etc.	5670	(146,334)	(132,208)
Change in balances (decrease [+]): of work in progress, finished goods, etc.	5680	-	-
Total expenses from ordinary activities	5600	4 660,773	4 656 564

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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	438 694	416 780	(474,942)	(47,740)	332 792
Including:						
Provision for fuel and lubricants	5701	-	(3,676)	3 676	-	-
Provision for returned goods	5702	593	890	-	(780)	703
Provision for vacation pay	5703	46 585	55 573	(60,243)	-	41 915
Provision for payment of annual bonuses to employees	5704	58 301	17 394	(11,934)	(46,367)	17 394
Other expenses (provisions for services provided)	5705	48 681	(28,332)	-	(594)	19 755
Bonuses to buyers — Cash Discount /01.04.14	5706	66 633	74 762	(64,681)	-	76 714
Provision for payment of quarterly bonuses to employees	5707	9 502	2 885	-	-	12 387
Provision for imprest amounts	5708	8 180	(3,876)	-	-	4 304
Bonuses to buyers — Volume Discount /01.04.14	5709	200 220	301 160	(341,761)	-	159 619

Director _____ **Artur Valiev**
(signature) (print name)

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8. Security of obligations

Item	Code	As at 31 December 2018	As at 31 December 2017	As at 31 December 2016
Received — total	5800	2 785 000	2 447 000	3 774 776
Including:				
Bank guarantee	5801	1 865 000	1 547 000	2 974 776
Surety agreement	5802	900 000	900 000	800 000
Issued — total	5810	-	-	-
Including:				
	5811	-	-	-

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February 13, 2019 _____

9. Government aid

Item	Code	2018		2017	
		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					
	2018	-	-	-	-
	2017	-	-	-	-
Including:					
	2018	-	-	-	-
	2017	-	-	-	-
	5910	-	-	-	-
	5920	-	-	-	-
	5911	-	-	-	-
	5921	-	-	-	-

Director _____ (signature) **Artur Valiev** _____ (print name)

February 13, 2019 _____

Notes

to the financial statements of JSC RANBAXY for 2018.

1. Information about the Company

1.1. Full name of the Company: Joint-Stock Company RANBAXY

1.2. Registered address: 27 Elektrozavodskaya ul., bldg. 8, room 14/1, Moscow, 107023, Russia.

1.3. Actual address: 27 Elektrozavodskaya ul., bldg. 8, room 14/1, Moscow, 107023, Russia.

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

1.5. Authorized capital of the Company makes up RUB 163,000,000. Shareholder structure: SUN PHARMA (NETHERLANDS) B.V. Private company limited by shares, registered with the Chamber of Commerce and Industry of Amsterdam under No. 33254757: 99 percent of the authorized capital; Ranbaxy Holdings (UK) Ltd., private company limited by shares, 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 RUB 1,000.

The ultimate beneficiary of the Company is Dilip Shantilal Shanghvi who is the head of the parent company of SUN PHARMACEUTICAL INDUSTRIES LIMITED group of companies and owns more than 25% of shares of the said company.

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 the 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 June 15, 2016, the location of the subdivision was changed (new address: 248 Village of Leshkovo, bldg. 4, Istra District, Moscow Region, 143581, Russian Federation).

1.8. The main business activity of the Company is wholesaling of pharmaceutical products. License (current): FS-99-02-006841 issued on December 12, 2018. Location covered by license FS-99-02-006841: 244 Village of Leshkovo, bldg. 4, Istra District, 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 FBK, LLC.

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

Chairman of the Board of Directors:

Vivek Kapur

Members of the Board of Directors:

Kanniputur Kamalakkannan Kuppusvami

Kalpesh Shakh

Artur Valiev

Kharin P Mekhta

General Director of JSC Rambaxy

Artur Valiev;

Financial Director

Vivek Kapur;

Chief Accountant

Ludmila Alekseevna Manuilova

2. Significant Accounting Policies of the Company.

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 financial 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 accounting records as follows:

- Ordinary income is recorded on 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 on subaccounts of account 90.1.1 "Sales".

- Other income on account 91.01 "Other income" is recorded at the moment of the actual provision of services.

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 of the Classification of fixed assets included in depreciation groups approved by Resolution of the Russian Government No. 1 dated January 1, 2002. Since

January 01, 2017, the entity has applied the classifier of depreciation groups updated by Resolution of the Russian Government dated July 07, 2016 No. 640. 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 financial statements as follows:

As advances made:

- Insurance expenses;
- Passes;
- Advertising.

As other current assets:

- Licensing expenses;
- Expenses on purchase of computer software and databases;
- Certification expenses;
- Fixed assets repair expenses;
- Expenses on customs services;
- Permits to employ foreign nationals.

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

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

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

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

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

2.1.14. In accordance with the prescribed marketing policy, buyers benefit from awards (bonuses) and discounts. The company may pay (provide) to the buyer an award (bonus) due to compliance with the specific terms of the agreement, in particular, volume of purchases and compliance with the payment deadlines. An award (bonus) is paid (provided) to the buyer as money or writing off of indebtedness with regard to shipped

goods without changing the transaction price. Such awards (bonuses) are not a payment for services to promote goods or advertise them.

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

2.2. Accounting policy for tax purposes.

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

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

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

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

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

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

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

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

The effect of correcting mistakes of past years

In the Statement of Financial Results in the financial statements for 2018, the figures of the following lines were adjusted with regard to indicators for 2017: "Revenue" and "Other expenses"; this adjustment is due to the fact that amounts of expenses to provide premiums to buyers shown as part of line 2350 "Other expenses" were transferred to line 2110 "Revenue".

Line of the Statement of Financial Results in the financial statements	Turnover amount for 2017 before adjustment, RUB'000	Adjustment amount	Turnover amount for 2017 after adjustment
2110 "Revenue"	5,322,035	(407,391)	4,914,644
2350 "Other expenses"	(666,303)	407,391	(258,912)

In the Statement of Financial Results for 2018, the figures of the following lines were adjusted with regard to indicators for 2017: "Other receipts", "Payroll payments" and "Other payments"; this adjustment is due to the fact that amounts of expenses to settlements with regard to social insurance and social security shown as part of line 4129 were transferred to line 4122 "Payroll payments" and VAT for investment activities shown in line 4219 "Other receipts" was transferred to line 4129 "Other payments".

Line in the Statement of Cash Flows	Turnover amount for 2017 before adjustment, RUB'000	Adjustment amount	Turnover amount for 2017 after adjustment
4122 "Payroll payments"	(686,759)	(145,997)	(832,756)
4219 "Other receipts"	923	(923)	0
4129 "Other payments"	(442,898)	146,920	(295,978)

3. Financial and Economic Activities of the Company.

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

3.1.1. In 2018, revenues from sales of goods within operating activities totalled RUB 5,022,857 thousand (excluding VAT), which makes up 99.90 percent of total sales; other income from sales of fixed assets amounted to RUB 5,488 thousand (excluding VAT), which accounts for 0.1 percent of total sales. Gross operating profit was RUB 1,832,719 thousand. Revenue is shown taking into account bonuses to buyers in the amount of RUB 375,922 thousand.

In 2017, revenues from sales of goods within operating activities totalled RUB 4,914,644 thousand (excluding VAT); gross operating profit amounted to RUB 1,840,291 thousand.

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

3.1.2. In 2018, the Company generated RUB 362,085 thousand in profit from sales versus RUB 258,080 thousand in 2017 (growth is 40.3 percent).

The growth in profit is attributable to the following factors:

- An increase in revenues by RUB 108,214 thousand (2.20%)
- An increase in cost by RUB 115,785 thousand (3.47%)
- A decrease in commercial expenses by RUB 111,577 thousand (7.05%)

3.1.3. The structure of business expenses is as follows:

Structure of business expenses

Type of expenses	2018	2017	Change
Payroll	586,308	609,444	(23,136)
Allocations to funds	141,320	140,399	921
Advertising	238,073	281,298	(43,225)
Marketing	44,038	52,851	(8,814)
Processing of goods	35,721	33,182	2,539
Certification	12,906	14,144	(1,238)
Maintenance and repair of motor vehicles	51,578	49,323	2,254
Car leasing	44,662	46,627	(1,965)
Insurance	37,208	55,756	(18,548)
Rent	45,790	22,675	23,115
Depreciation	13,767	15,526	(1,759)
Travel expenses	60,974	55,860	5,114
Hospitality expenses	545	1,864	(1,319)
Audit	2,435	3,643	(1,208)
Software products	7,929	7,728	200
Other material costs	5,049	5,865	(816)
Provision for vacation pay	55,573	59,068	(3,495)

Provision for payment of annual bonuses to employees	17,394	58,069	(40,675)
Other expenses	66,736	73,667	(6,931)
Total	1,470,634	1,582,211	(111,577)

In 2018, payroll and provisions account for the largest share of the Company's business expenses (44.83 percent), with advertising expenses being another major contributor (16.19 percent); compared to the previous year, payroll and advertising expenses decreased. Advertising was conducted via TV, radio, and public transport.

The Company decreased its staffing in 2018. The average number of employees in 2018 was 436 versus 439 in 2017, representing a 0.7 percent decrease (by 3 persons).

3.1.4. The Company's accounts receivable from customers and buyers as at December 31, 2018 amounted to RUB 2,493,593 thousand.

Provision for doubtful receivables from customers and buyers RUB'000

Period	At the beginning of the period	Creation of provision	Use of provision	Reversal of provision	At the end of the period
In 2018	105,541	442,753	265	(442,753)	105,276
In 2017	8,495	118,209	-	(21,163)	105,541

At the end of 2018, the Company created a provision for doubtful debts for the following organizations:

- For accounts receivable from buyers:

- ZAO Genesis in the amount of RUB 7,742,610.83 (seven million seven hundred and forty-two thousand six hundred and ten point eight three).
- Rosta JSC in the amount of RUB 97,533,226.09 (ninety-seven million five hundred and thirty-three thousand two hundred and twenty-six point zero nine rubles)

In 2012, in the proceedings in the Arbitration Court of St. Petersburg and Leningrad Region against ZAO Genesis. The proceedings are completed, a settlement agreement has been approved, according to which JSC 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 September 29, 2017, the Moscow Arbitration Court accepted the claim of JSC RANBAXY to ROSTA CJSC about recovery of debts in the amount of 97,770,778 rubles 30 kopecks, interest for the use of funds in the amount of 9,777,077.83 rubles. (Case No. A40-176620/17-81-1670). It was considered on November 21, 2017, a ruling to satisfy the stated claims in full was delivered.

ROSTA CJSC filed an appeal to the Ninth Arbitration Court of Appeal of Moscow, on March 31, 2018 this appeal was considered and a ruling was delivered: to uphold the decision of the Arbitration Court of Moscow dated December 22, 2017 on case No. A40-176620/2017 and to dismiss the appeal.

On July 04, 2018, based on the application submitted by JSC Ranbaxy to the Arbitration Court of Moscow to include the claims in the list of creditors' claims against Rosta JSC, on case to declare Rosta JSC insolvent

(bankrupt), a ruling was delivered to admit for examination the application of JSC RANBAXY to include the claims in the list of creditors' claims against Rosta JSC.

On January 31, 2019, the Arbitration Court of Moscow delivered a decision on case No. A41-79022/2017 to declare Rosta JSC insolvent (bankrupt). The bankruptcy proceedings for the period of 6 months, until July 31, 2019, were opened.

On February 04, 2019, the Arbitration Court of Moscow Region, having considered the application of JSC Ranbaxy on case No. A41-79022/2017 to include the claims in the list of creditors' claims against Rosta JSC, ruled: to appoint a meeting for consideration of the application to March 11, 2019.

Provision for doubtful receivables from suppliers (advances made)

RUB'000

Period	At the beginning of the period	Creation of provision	Use of provision	Reversal of provision	At the end of the period
In 2018	1,048		-	-	1,048
In 2017	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 favour of JSC 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 JSC RANBAXY in the amount of RUB 1,048,078.94 have been included in the register of creditors (ruling dated May 18, 2015 in case No. A40-175755/2014). The bankruptcy proceedings will last until July 31, 2017.

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

The total provision for losses at the end of 2018 for accounting and tax purposes amounts to RUB 105,275 thousand. The provision made at the end of 2018 for accounting purposes only amounts to RUB 1,048 thousand. The Company's accounts payable to suppliers and contractors as at December 31, 2018 totalled RUB 2,329,275 thousand. Accounts payable to suppliers increased significantly, by 28.5 percent (to RUB 516,874 thousand) compared to the previous year. In 2017, they amounted to RUB 1,812,401 thousand. The accounts payable increased, mostly, to main suppliers of pharmaceutical products due to payment for supplied goods.

The key suppliers of JSC RANBAXY in 2018 were SUN PHARMACEUTICAL INDUSTRIES LTD (India), Ranbaxy Therapy (Romania) (with accounts payable to SUN PHARMACEUTICAL INDUSTRIES LTD

(India) amounting to RUB 1,811,208 thousand (77.76 percent of total payables), to Ranbaxy Therapy — RUB 505,725 thousand (21.71 percent of total payables)).

3.1.5. In 2018, interest in the amount of RUB 17,773 thousand was accrued on the short-term loan received in 2013 from private company limited by shares SUN PHARMA (NETHERLANDS) B.V. (until July 21, 2017 — Ranbaxy (Netherlands) B.V.).

In 2018, the Company paid interest in the amount of 17,278 thousand rubles,

3.1.6. In 2018, the Company placed funds in short-term bank deposits. Total income from deposits amounted to RUB 1,971 thousand.

Interest accrued on bank balances amounted to RUB 3,744 thousand.

As at December 31, 2018, the funds placed on short-term deposits amounted to RUB 480,340 thousand, of them: with Sberbank OJSC — RUB 425,000 thousand with the maturity dates in January 2018 and with Deutsche Bank LLC — RUB 55,340 thousand with the maturity dates in February 2018.

3.1.7. Other income and expenses of the Company recorded in lines 2340 and 2350 of the Statement of Financial Results for 2018 were as follows:

Description	Other income (RUB'000)	Other expenses (RUB'000)
Exchange differences	43,441	(103,563)
Provision for impairment of inventory	155	(83,429)
Provision for doubtful debts	443,520	(443,447)
Provision for returned goods	780	(890)
Destruction of pharmaceutical products		(6,931)
Awards to suppliers	27,379	
Insurance indemnity / expenses for insured events	2,064	
Write-off of accounts receivable / payable		(119)
Sales and write-offs of fixed assets	5,488	(417)
Taxes		(38)
Bank services		(2,513)
Reversal of provision for payment of annual bonuses to employees	46,367	
Other	28,067	(36,305)
Total	597,259	(677,651)

Other income and expenses of the Company recorded in lines 2340 and 2350 of Statement of Financial Results for 2017 were as follows:

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

Total	129,520	(258,912)
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3.1.8. Other receipts of the Company shown in line 4119 and other payments of the Company shown in line 4129 of the Statement of Cash Flows amounted to:

Other receipts	2018	2017
Refund of taxes and levies from the budget	69,529	77,005
Insurance indemnity	1,708	2,002
Other refunds	7,357	7,237
Total	78,594	86,244

Other payments	2018	2017
Customs payments	117,685	100,986
Value added tax	32,413	76,553
Payment for insurance	33,723	56,246
Advances to employees	45,586	44,349
Interest-free loans to employees	12,206	11,868
Other payments	10,707	5,975
Total	252,319	295,978

3.1.9. According to the accounting data, in 2018 the Company earned a profit before tax of RUB 269,635 thousand; according to the tax accounting data, the Company received a profit of RUB 249,287 thousand. Current income tax amounted to RUB 49,857 thousand.

The permanent differences totalled RUB 21,237 thousand in 2018, resulting in a permanent tax liability of RUB 4,247 thousand. The bulk of this amount consisted of non-deductible expenses: the provision for impairment of goods amounted to RUB 83,274 thousand, expenses on writing-off (disposal) of goods — RUB (55,707), in the accounting records — writings-off out of the provision made in the previous years and shown in the permanent differences as well as estimated liabilities (including vacation reserves, staff bonuses and bounties and other forthcoming payments) and medical insurance of employees' family members.

Deferred tax assets in 2018 amounted to RUB (6,879) thousand. This amount basically composed by time deductible difference on other expenses, increasing the accounting of estimated liabilities. Relevant expenses will be fixed in the period of registration of purchase orders on bonuses in tax accounting.

Deferred tax liabilities amounted in 2018 to (1,438) thousand rubles. The main amount in the deferred liabilities is the difference due to the fact that in the accounting the amount of customs duties and duties are taken into account in the value of goods, and in the tax account they are written off at a time for the costs.

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

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

Deferred tax assets in 2017 amounted to (RUB 2,662 thousand). This amount basically composed by time deductible difference on bounties and retro bonuses granted to customers, increasing the accounting of

estimated liabilities. Relevant expenses will be fixed in the period of registration of purchase orders on bonuses in tax accounting

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

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

4. Social Indicators

in RUB'000			
Item	Indicator	2018	2017
1	Average number of employees	436	439
2	Accrued wages	586,308	609,444
3	Provisions for vacation pay and payment of year-end bonuses	72,967	117,138
4	Amount of accrued contributions, RUB thousand	141,320	140,399

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

5.1. Indicators

Item	Indicator	2018	2017
1	Authorized capital	163,000	163,000
2	Reserve capital	40,750	750
3	Retained earnings	911,761	740,300

5.1.1. In 2018, pursuant to the resolution of the General Meeting of Shareholders, Minutes dated June 15, 2018, a deduction to the reserve capital of the Company from the Company's net profit for the reporting period (2017) in the amount of RUB 40,000,000 thousand was made.

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

6. Reference Data

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

Name of the figure		Balance sheet line code	At the beginning of the reporting period	At the end of the reporting period
I. Assets				
1.	Intangible assets	1110	18,140	15,126
2.	Fixed assets	1150	7,996	4,164
3.	Other non-current assets	1190	-	-
4.	Income-bearing investments into tangible assets	1160	-	-
5.	Long-term and short-term financial investments	1170+1240	200,000	480,340
6.	Other non-current assets	1120+1130+1140+1180	13,540	6,660
7.	Inventories	1210	945,288	1,069,518
8.	Input value added tax	1220	9,916	258
9.	Accounts receivable	1230	2,317,488	2,580,584
10.	Cash	1250	68,793	91,161
11.	Other current assets	1260	1,481	825

12.	Total assets taken into account in the calculation (sum of items 1–11)		3,582,642	4,248,638
II. Liabilities				
13.	Long-term liabilities under loans and credits	1410	0	408,013
14.	Other long-term liabilities	1420+1450	6,291	7,729
15.	Short-term liabilities under loans and credits	1510	399,904	5,256
16.	Accounts payable	1520	1,833,703	2,379,337
17.	Estimated liabilities	1540	438,694	332,792
18.	Other current liabilities	1550	-	-
19.	Total liabilities taken into account in the calculation (sum of items 13–19)		2,678,592	3,133,127
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))		904,050	1 115,511

6.1.1. Intangible assets

See Section 1. Notes to the Balance Sheet and Statement of Financial Results in table form.

6.1.2. Fixed Assets

See Section 2. Notes to the Balance Sheet and Statement of Financial Results in table form.

6.1.3. Financial investments

See Section 3. Notes to the Balance Sheet and Statement of Financial Results in table form.

6.1.4. Deferred tax assets

According to the data from the Balance Sheet as at December 31, 2018, they amounted to RUB 6,660 thousand.

6.1.5. Inventories

See Section 4. Notes to the Balance Sheet and Statement of Financial Results in table form.

6.1.6. Value added tax

According to the data from the Balance Sheet as at December 31, 2018, value added tax not accepted for deduction due to non-provision of VAT invoices by the service providers amounted to RUB 258 thousand.

6.1.7 Accounts receivable

See Section 5. Notes to the Balance Sheet and Statement of Financial Results in table form.

6.1.8. Financial investments (excluding cash equivalents)

See Section 3. Notes to the Balance Sheet and Statement of Financial Results in table form.

6.1.9. Cash and cash equivalents

According to the data from the Balance Sheet as at December 31, 2018, they amounted to RUB 91,161 thousand, including: cash on hand — RUB 16 thousand, operating accounts — RUB 91,143 thousand, foreign currency accounts — RUB 1 thousand.

6.1.10. Other current assets

According to the data from the Balance Sheet as at December 31, 2018, they amounted to RUB 825 thousand.

6.1.11. Borrowings (long-term liabilities)

See Section 5. Notes to the Balance Sheet and Statement of Financial Results in table form.

6.1.12. Deferred tax liabilities

According to the data from the Balance Sheet as at December 31, 2018, they amounted to RUB 7,729 thousand.

6.1.13. Borrowings (short-term liabilities)

See Section 5. Notes to the Balance Sheet and Statement of Financial Results in table form.

6.1.14. Accounts payable

See Section 5. Notes to the Balance Sheet and Statement of Financial Results in table form.

6.1.15. Estimated liabilities

See Section 7. Notes to the Balance Sheet and Statement of Financial Results in table form.

6.2. Information on the leased fixed assets.

6.2.1 Leased premises.

As at December 31, 2018, JSC RANBAXY did not have its own premises.

In 2018, lease contracts with the following organizations were in effect:

- **OOO SP Tekhnopark** for 1,320 square meters, office in Moscow.

Agreement w/o No. dated June 09, 2017 Monthly rent for 1,320 sq. m is 1,540,855 rubles including VAT. Date of the agreement termination is June 30, 2018. Additional agreement dated November 24, 2017 to agreement w/o No. dated June 09, 2017 Date of the agreement termination is July 31, 2018.

On December 27, 2017, the owner of the office premises changed. New owner: State Enterprise of Moscow City National Economy Achievement Exhibition.

- **LE FORTAKO LIMITED** — for 1,073.7 square meters, office in Moscow.

Agreement w/o No. dated May 15, 2018. The monthly fee is 1,757,203.00 rubles. Date of the agreement termination is June 14, 2023.

- **Vakarina Florida Gazzalievna (person)** on 50.7 sq. m — an office in the city of Yekaterinburg.

Contract No. 01-2017 dated September 01, 2017. The monthly fee is 35,000 rubles. Date of the agreement termination is July 31, 2018.

Contract No. 01-2018 dated August 01, 2018. The monthly fee is 35,000 rubles. Date of the agreement termination is June 30, 2018.

- **OOO Inform-Future** for 80.7 square meters — office in St. Petersburg.

Agreement w/o No. dated February 10, 2009 Additional Agreement No. 6 dated January 01, 2018 Monthly fee in 2018 is 110,902.78 rubles including VAT.

Agreement No. 41/Б/2019 dated December 06, 2018. The monthly fee is RUB 116,700.98, including VAT. Date of the agreement termination is November 30, 2019.

- **LLC Inform-Future** for 3.7 square meters — utility room in St. Petersburg.

Agreement w/o No. dated April 01, 2009 Additional Agreement No. 4 dated January 01, 2018 (monthly fee in 2018 is 3,509.56 rubles including VAT).

- **ZAO Santance Service** for 568.2 sq. m — warehouse

Agreement No. CC-CA-03/14 dated February 01, 2016 for 568.2 sq. m. The monthly fee is RUB 345,073.30, including VAT. Contract for 11 months, auto-prolongation for the same period.

- **Union of Trade Union Organizations Union of Trade Union Organization of Rostov Region** for 42.24 square meters, office in Rostov-on-Don.

Contract No. 9/18 dated January 09, 2018 The monthly fee is 27,456 rubles. Date of the agreement termination is December 28, 2018.

Agreement No. 09/18 dated December 03, 2018 The monthly fee is 27,456 rubles. Date of the agreement termination is October 31, 2019.

- **OOO Danom** — for 358.7 sq. m, warehouse in Moscow Region.

Agreement No. Д-CA-18/18 dated October 15, 2018. The monthly fee is RUB 289,158, including VAT. Agreement for 11 months.

- **IE G. M. Zaydullina** for 42.3 sq. m — lease of an office in the city of Kazan.

Lease agreement for office premises No. 1 dated July 01, 2017. The monthly fee is RUB 25,380.00, excluding VAT.

Date of the agreement termination is June 01, 2018. Additional Agreement No. 1 dated July 01, 2018. The monthly fee is RUB 25,380.00, excluding VAT. Date of the agreement termination is June 01, 2019.

- **LLC Development Department** for 50.3 sq. m. - city of Novosibirsk

The lease agreement for premises No. 20/08-2017 dated August 28, 2017. The monthly fee is RUB 37725.00. Date of the agreement termination is July 27, 2018.

The lease agreement for premises No. 20/08-2018 dated August 01, 2018. The monthly fee is RUB 41,497.5. Date of the agreement termination is June 30, 2019.

- **IE Zueva I.V.** for 48.3 sq. m - city of Krasnodar

The lease agreement for premises No. 15 dated August 01, 2017. The monthly fee is RUB 29000.00. Date of the agreement termination is July 01, 2018.

The lease agreement for premises No. 17 dated July 01, 2018. The monthly fee is RUB 29,000.00. Date of the agreement termination is June 01, 2019.

- **IE V. V. Yarovoy** for 25.7 square meters. - city of Vladivostok

The lease agreement for premises No. БИ 2-9 dated October 01, 2017, monthly fee is RUB 25,700.00. Date of the agreement termination is August 31, 2018. Additional agreement w/o No. dated July 11, 2018 Date of the agreement termination is July 30, 2019.

Immovable property received under lease agreements is not recognized on off-balance account 001 as its cost is not specified in the lease agreements.

6.2.2 Movable Property

Movable property received under a lease agreement is recognized on off-balance account 001 "Leased fixed assets" according to the estimation specified in the lease agreement.

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 favour of the Company's employees in 2018:

Subdivision	2018, in RUB'000	2018, %	2017, in RUB'000	2017, %
Head Office (Moscow)	657,228	99,45%	572,043	81,07%
Standalone subdivision in St. Petersburg for the North-West and Volga Region	- *		23,167	3,28%
Standalone subdivision in Rostov-on-Don	- *		33,581	4,76%
Standalone subdivision in Yekaterinburg	- *		17,283	2,45%
Standalone subdivision in Krasnoyarsk	- *		18,921	2,68%
Standalone subdivision in Omsk	- *		14,590	2,07%
Standalone subdivision in Samara	- *		23,439	3,32%
Standalone subdivision Warehouse for wholesaling medical products in Istra District	3,614	0,55%	2,556	0,36%
Total	660,842	100%	705,581	100%

As at the end of 2018, the liabilities for payment of wages were discharged in full.

* - This standalone subdivision was closed in 2017.

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, 2018, including insurance contributions, made up RUB 41,915 thousand; bonuses based on 2018 results, including insurance contributions, were RUB 17,394 thousand.

6.6. Notes to the Balance Sheet

6.6.1. The accounts receivable recorded in balance sheet line 1230 are short-term and amount to RUB 2,580,421 thousand. There are no long-term accounts receivable. 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, 2018 and December 31, 2017.

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

Type	2018	2017
Settlements on advances issued	20,370	73,834
Settlements with buyers and customers	2,493,593	2,169,300
Settlements with the budget (PIT)	6	523
Settlements with the budget (advance income taxes)	-	8,639
Other taxes and levies	-	-
Payments to extra-budgetary funds	5,252	8,508
Settlements with employees on payment	13	18
Settlements with accountable persons	4,316	8,182
Settlements with employees on loans issued	7,288	6,712
Insurance settlements		
Settlements of claims	85	37

Settlements with other debtors	49,498	41,735
TOTAL	2,580,421	2,317,488

6.7. Notes to the Statement of Financial Results

6.7.1. Information on the expenses on ordinary activities.

The expenses on ordinary activities (production cost and business expenses) reported in the Statement of Financial Results for 2018 amount to RUB 4,660,772 thousand. The cost of goods sold is RUB 3,190,138 thousand. Business expenses amount to RUB 1,470,634 thousand.

6.8. Notes to the Statement of Cash Flows

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

	2018	2017
Value added tax (balance)	-	-
Refund of taxes and levies from the budget	69,529	77,005
Refunds from customs authorities	-	-
Insurance indemnity	1,708	2,002
Other refunds	7,357	7,237
TOTAL	78,594	86,244

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

	2018	2017
Customs payments	117,685	100,986
Payment of taxes and contributions (other than income tax and VAT)	452	607
Payment for insurance	33,723	56,246
Advances to employees	45,586	44,349
Interest-free loans to employees	12,206	11,868
Payment of bonuses and return of goods by buyers	10	418
Value added tax (balance)	32,141	76,553
Other payments	10,245	4,951
TOTAL	252,319	295,978

In 2018, 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.

In 2018, the Company received advance payments from buyers of goods in the amount of RUB 124,043 thousand, in 2017 — in the amount of RUB 73,805 thousand. In the Statement of Cash Flows, the advance payments received are shown in line 4111 Receipts, including from sale of goods, works and services.

In 2018, the Company paid advance payments to suppliers of goods, works and services in the amount of RUB 433,775 thousand, in 2017 — in the amount of RUB 485,042 thousand. In the Statement of Cash Flows, the advance payments paid are shown in line 4121 Payments, including to suppliers (contractors) for materials, supplies, goods, services.

6.9. Other data

6.9.1. Tax audits and decisions

- On June 16, 2016, Decision on Field Tax Audit No. 19-25/1-91 dated June 16, 2016 with regard to all taxes and levies was received from Inspectorate of the Federal Tax Service No. 17 of Moscow, the period to be audited — from January 01, 2013 to December 31, 2015.
- On May 10, 2017, the Act of Tax Audit No. 19-25/2-1003 dated May 4, 2017 was received.
- On June 13, 2017, an objection was filed to the Act of the tax audit No. 19-25/2-1003
- On June 26, 2017, Resolution of the Inspectorate of the Federal Tax Service of Russia No. 17 No. 19-25/13-98 dated June 26, 2017 on bringing to responsibility for committing a tax offense was received.
- On October 29, 2018, a hearing was held during which a judicial act in favour of the tax payer was delivered. On November 02, 2018 — Resolution on case No. A40-243116/17 in favour of the tax payer (in full).

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 financial statements in accordance with PBU 7/98.

The Company did not register an increase in the amount of the authorized capital in 2018.

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, 2018:

- For the payment of annual bonuses to staff in the amount of RUB 17,394 thousand,
- To pay quarterly bonuses to the staff in the amount of RUB 12,387 thousand,
- A provision for payment of forthcoming vacations in the amount of RUB 41,915 thousand,
- A provision for the return of goods — RUB 704 thousand,
- A provision for the use of accountable amounts of RUB 4,304 thousand,
- For other expenses — RUB 19,755 thousand,
- For the forthcoming costs of providing premiums to customers for 2018 in the amount of RUB 236,333 thousand. The estimated obligation for the forthcoming costs of awarding premiums to customers was established on the basis of a monetary valuation by the Company's management.

The Company has no contingent assets and liabilities.

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

- For the payment of annual bonuses to staff in the amount of RUB 58,300 thousand,
- To pay quarterly bonuses to the staff in the amount of RUB 9,502 thousand,
- A provision for payment of forthcoming vacations in the amount of RUB 46,588 thousand,
- A provision for the return of goods — RUB 593 thousand,
- A provision for the use of accountable amounts of RUB 8,180 thousand,
- For other expenses — RUB 48,681 thousand,

- For the forthcoming costs of providing premiums to customers for 2017 in the amount of RUB 266,853 thousand. The estimated obligation for the forthcoming costs of awarding premiums to customers was established on the basis of a monetary valuation by the Company's management.

The Company has no contingent assets and liabilities.

6.9.4. Related party transactions

JSC RANBAXY is a part of SUN PHARMACEUTICAL INDUSTRIES LIMITED group of companies (hereinafter the "Sun Pharma")

List of related parties, with which business transactions are conducted	
SUN PHARMA (NETHERLANDS) B.V. (Private company limited by shares)	Shareholder (99%) Company from Sun Pharma group.
Ranbaxy Holdings (UK) Ltd.	Shareholder (1%) Company from Sun Pharma group.
BIOSINTEZ PJSC	Company from Sun Pharma group.
Sun Pharmaceutical Industries Ltd.	Founder of the main shareholder, parent company of Sun Pharma group of companies.
THERAPY S.A. ROMANIA	Company from Sun Pharma.
Sun Pharmaceutical Industries LLC	Company from Sun Pharma.

A complete list of related parties as at March 31, 2018 is provided in the consolidated statements of the group on the company's web-site

<http://www.sunpharma.com/sites/default/files/annual/Consolidated%20Financial%20Statements%20AR%20FY18.pdf>

There were no significant changes in the group structure as at December 31, 2018.

Transactions with related parties during the reporting period:

<i>Related parties</i>	<i>Type of relation</i>	<i>Type of transactions</i>	<i>Applied pricing methods for each type of transactions</i>	<i>Volume of transactions in 2018</i>	<i>Volume of transactions in 2017</i>
SUN PHARMACEUTICAL INDUSTRIES LTD (India)	Other related party (parent company of Sun Pharmaceutical Industries group)	Purchase of goods	According to the agreement (market price)	RUB 2,312,384 thousand	RUB 2,233,258 thousand
SUN PHARMACEUTICAL INDUSTRIES LTD (India)	Other related party (parent company of Sun Pharmaceutical Industries group)	Compensation for discount given to the buyer	According to the agreement	RUB 27,373 thousand	RUB 27,476 thousand
Ranbaxy Therapy (Romania)	Other related party (a company from Sun Pharmaceutical Industries group)	Purchase of goods	According to the agreement (market price)	RUB 962,043 thousand	RUB 891,890 thousand

Ranbaxy Therapy (Romania)	Other related party (a company from Sun Pharmaceutical Industries group)	Compensation due to recall of a pharmaceutical products	According to the agreement	-	RUB 810 thousand
Sun Pharmaceutical Industries LLC	Other related party (a company from Sun Pharmaceutical Industries group)	Sublease agreement	According to the agreement	RUB 148 thousand	-
Representative office of Sun Pharmaceutical Industries Limited limited liability company	Other related party (representative office of a company of Sun Pharmaceutical Industries group in Russia)	Agency agreement	According to the agreement	RUB 1,417 thousand	RUB 1,259 thousand
Sun Pharma (Netherlands) B.V. Private company limited by shares	Principal shareholder (99 percent of stocks)	Repayment of a short-term loan		USD 1,000 thousand	-
Sun Pharma (Netherlands) B.V. Private company limited by shares	Principal shareholder (99 percent of stocks)	Accrual of interest under the short-term loan agreement	3M Libor + 150 bp p.a.	USD 281 thousand	USD 271 thousand
Biosintez PJSC	Other related party (a company from Sun Pharmaceutical Industries group)	Loan agreement	Repayment of the issued loan	-	RUB 137,333 thousand
Biosintez PJSC	Other related party (a company from Sun Pharmaceutical Industries group)	Service agreement	According to the agreement	RUB 51 thousand	-
Biosintez PJSC	Other related party (a company from Sun Pharmaceutical Industries group)	Sale and purchase agreement	According to the agreement	RUB 75 thousand	-

Accounts receivable and payable to related parties of the Company as at December 31, 2018 were as follows:

Related party	Type of relation	Amount of accounts receivable (payable) 2018 (RUB'000)	Amount of accounts receivable (payable) 2017 (RUB'000)
SUN PHARMACEUTICAL INDUSTRIES LTD (India)	Other related party (parent company of Sun Pharmaceutical Industries group)	(1,811,208)	(1,384,027)
Ranbaxy Therapy (Romania)	Other related party (a company from Sun Pharmaceutical Industries group)	(505,725)	(419,082)
Biosintez PJSC	Other related party (a company from Sun Pharmaceutical Industries group)	10	-
Sun Pharmaceutical Industries LLC	Other related party (a company from Sun Pharmaceutical Industries group)	30	-
Sun Pharma (Netherlands) B.V. Private company limited by shares (for received loans and loan interest)	Principal shareholder (99 percent of stocks)	(413,269)	(399,904)

Cash flows from related parties were as follows:

Related parties	Type of relation	Type of transactions	Amount in 2018	Amount in 2017
SUN PHARMACEUTICAL INDUSTRIES LTD (India)	Other related party (parent company of Sun Pharmaceutical Industries group)	Payment of goods	RUB 1,857,830 thousand	RUB 2,324,344 thousand
Ranbaxy Therapy	Other related party (a company from Sun Pharmaceutical Industries group)	Payment of goods	RUB 875,400 thousand	RUB 932,671 thousand
Representative office of Sun Pharmaceutical Industries Limited limited liability company	Other related party (representative office of a company of Sun Pharmaceutical Industries group in Russia)	Payment under agreements	RUB 1,417 thousand	RUB 1,259 thousand
Biosintez PJSC	Other related party (a company from Sun Pharmaceutical Industries group)	Payment under the service agreement	RUB 115 thousand	-
Biosintez PJSC	Other related party (a company from Sun Pharmaceutical Industries group)	Repayment of the issued loan	-	RUB 137,333 thousand
Sun Pharmaceutical Industries LLC	Other related party (a company from Sun Pharmaceutical Industries group)	Payment under the sublease agreement	RUB 118 thousand	-
Sun Pharma (Netherlands) B.V. Private company limited by shares	Principal shareholder (99 percent of stocks)	Repayment of a long-term loan	RUB 17,278 thousand	RUB 25,366 thousand

Form of settlements with related parties — monetary.

In 2018, the following amounts were accrued in favour of the main managerial personnel (management): wages — RUB 63,864 thousand; paid annual leave in the amount of RUB 6,101 thousand; premium (bonus) for the year of 2017 in the amount of RUB 4,433 thousand, other premiums — RUB 5,532 thousand, compensation payments amounted to RUB 48 thousand. In 2018, the Company granted short-term interest-free loans to management personnel amounting to RUB 930 thousand. There were no long-term payments in favour of key management personnel in 2018.

In 2017, the following amounts were accrued in favour of the main management personnel (management): wages — RUB 73,085 thousand; paid annual leave in the amount of RUB 4,794 thousand; premium (bonus) by the results of 2016 in the amount of RUB 7,519 thousand, other premiums — RUB 6,630 thousand, compensation payments amounted to RUB 6,438 thousand. In 2017, the Company granted short-term interest-free loans to management personnel amounting to RUB 687 thousand. There were no long-term payments in favour of key management personnel in 2017.

* *Key management personnel (management):*

General Director

Chief Accountant

Financial Director

Director of the Department (Finance Division)

Director for Personnel, Administration and Training in Russia

Head of the Commercial Department

Director of the Non-Prescription Medicines Department

Director of the Department (Prescription Medicines Department)

Medical and Regulatory Director

Director of the Department (Business Development and Analytics Division)

Senior pharmacist in charge of the warehouse for wholesaling medical products

Head of the Legal Division

National Sales Manager (Prescription Medicines Division)

National Sales Manager (Non-Prescription Medicines Division)

Sales Function Head (BSZ Sales Division)

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 developed 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, 2018.

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 collaterals, 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, 2018, the receivables secured by guarantees and sureties were as follows:

Buyer	Debt amount, rubles	Collateral amount, rubles	Guarantor / Surety
Avesta Farmatsevtika OOO	29,966,378	30,000,000	Sberbank of Russia PAO
BSS OOO	16,190,282	10,000,000	VTB Bank OAO
Vita Line OOO	64,442,358	70,000,000	Alfa-Bank JSC
Grand Capital FC OOO	261,313,283	150,000,000	Sberbank of Russia PAO
		200,000,000	Promsvyazbank PJSC
GDP	48,187,554	55,000,000	Moscow Credit Bank PJSC
InterLek OOO	11,900,743	10,000,000	Sberbank of Russia PAO
Katren NPK AO	555,022,999	900,000,000	Katren (Russia) ZAO
Protek TsV ZAO	611,220,237	600,000,000	Sberbank of Russia PAO
ProfitMed CJSC	70,656,756	60,000,000	Bank FK Otkrytie PJSC
Pulse FC OOO	284,682,061	400,000,000	RaiffeisenBank JSC
Farmkomplekt OOO	304,620,206	200,000,000	Russian Agricultural Bank JSC
Farmperspektiva OOO	77,442,458	80,000,000	VTB Bank OAO
Total	2,335,645,315	2,765,000,000	

6.10.3 Disclosure of information about liquidity risks.

The Company monitors the risk of liquidity shortage at the stage of preparing 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 2018, 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 devaluation of the dollar during 2018, the Company incurred foreign exchange losses totalling RUB 60,121 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, 2017	6,943	None
New liabilities	281	None

Repaid	(1275)	None
Balance as at December 31, 2018	5,949	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, 2018	Exchange rate as at December 31, 2017
US dollar (USD)	69.4706	57.6002

After the reporting date, the ruble rate strengthened by 5.406 % against the US dollar and amounted to 65.7147 rubles per US dollar at the date of signing (compiling) of these statements (February 13, 2019).

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, 2018 is high.

6.11. Summary.

According to the results of its activities in 2018, the Company earned a profit of RUB 211,461 thousand.

	RUB	
<i>Indicator</i>	<i>2018</i>	<i>2017</i>
Basic earnings	211,461,426	63,545,728
Number of ordinary shares	163000	163000
Basic earnings per share	1,297	389

In 2018, sales increased by 2.2 percent, while the share of cost in revenue increased by 0.96 percent, which amounted to 63.51 percent in 2018 vs. 62.55 percent in 2017, and the share of business expenses in revenue decreased insignificantly by 2.91 percent (29.28 percent in 2018 vs 32.19 percent in 2017).

There was an increase in other expenses by RUB 524,015 thousand (202.39%) in 2018, while other income also increased by RUB 573,015 thousand. 442.41%. A reason for a significant increase in figures of other income and other expenses is establishment of a provision for doubtful debts.

As a result of the Company's investment activities, namely, placement of funds in bank deposits, the Company made a profit of RUB 1,971 thousand in 2018.

Director

Artur Valiev

February 13, 2019