

**Audit Company "Best-Audit"  
Since 1994**

**Member of Russian Chamber of Auditors (Association)**

Our Ref. No. 113 dated March 30, 2017

**to Members of Sun Pharmaceutical  
Industries LLC  
Executive body of the Company**

**Audit Opinion**

**Information on the audited company**

Full name according to constituent documents:	Limited Liability Company Sun Pharmaceutical Industries (hereinafter referred to as Sun Pharmaceutical Industries LLC)
Location address:	Russian Federation, 129223, Moscow, prospect Mira Str., 119, bldg. 537/6, suite 62
OGRN (main state registration number):	1077762356770

**Information on auditor**

Full name according to constituent documents :	Audit Company "Best-Audit" JSC
Location address:	Moscow, Profsoyuznaya Str., 57, floor 7 phone +7(495) 334-43-19, fax +7(495) 332-03-82, e-mail: post@best-audit.ru
OGRN (main state registration number):	1027700591027
Name of self-regulating association of auditors:	Nonprofit partnership "Russian Chamber of Auditors" (Association)
ORNZ (principal number of registration entry) in the Register of auditors and audit companies:	10303000020

We carried out the audit of the attached annual accounting statements of Sun Pharmaceutical Industries LLC, comprising the Balance Sheet as at the 31<sup>st</sup> of December 2016, Profit and Loss Statement for 2016, annexes thereto (Statement of changes in equity, Statement of cash flow, Notes to the Balance Sheet and Profit and Loss Statement) for 2016.

**Liability of the audited company for the accounting statements.**

Management of Sun Pharmaceutical Industries LLC on behalf of:

• Chief Accountant Syrkasheva O.V. is responsible for preparation and reliability of indicated accounting statements in compliance with accounting rules applicable in the Russian Federation and for internal control system, which is necessary to prepare the accounting statements without substantial deviations due to unfair acts or errors.

## **Liability of auditor.**

Our liability is referred to expressing of opinion on accuracy of annual accounting statements on the basis of audit carried out by us. We conducted the audit in compliance with federal standards of audit business. Such standards require to comply with applicable ethical norms, and to plan and conduct the audit as to obtain a sufficient certainty that the accounting statements do not contain substantial deviations.

The audit comprised the audit procedures aimed at obtaining of audit evidences confirming the figures in the annual accounting statement and disclosure of information therein. The choice of audit procedures is a subject matter of our assumption, which is based on the assessment of a risk of substantial deviations made due to unfair acts or errors. During the valuation of such risk we checked the internal control system, ensuring preparation and fairness of annual accounting statements, in order to choose appropriate audit tests, but not in order to express an opinion on efficiency of internal control system.

Audit also included observation of appropriate use of applied accounting policy and justifications of estimated figures, obtained by the management of the audited company, and valuation of general presentation of the annual accounting statements.

We believe that the audit evidences gathered during audit state the reasonable expectations to express an opinion on the accuracy and fairness of the attached annual accounting statements.

## **Opinion of Auditor**

In our opinion, the attached annual accounting statements express true and fair view in all material respects the financials of Sun Pharmaceutical Industries LLC as at the 31st of December 2016, results of its financial and business transactions and cash flow for 2016 in compliance with the relevant accounting rules applicable in the Russian Federation.

## **Important circumstances**

Without changing our opinion on the accuracy and fairness of the attached annual accounting statements, we draw the attention of the concerned persons to the fact that the amount of net assets of Sun Pharmaceutical Industries LLC is less than amount of its authorized capital as at 31.12.2016 and during two reported period before.

Such circumstances (actions) are adequately disclosed pursuant the enclosed annual accounting statements of Sun Pharmaceutical Industries LLC in Section 9 of Notes to the Balance Sheet and Profit and Loss Statement.

General Director

Audit Company "Best-Audit" JSC:

/signature/

Egorov M.E.

*(Qualification Certificate No. 03-000007, ORNZ (Principal Number of Registration Entry – 29403009516)*

March 30, 2017

Seal:

Joint Stock Company Audit Company "Best-Audit"

Moscow

*Audit Opinion on Accounting Statements of Sun Pharmaceutical Industries LLC for 2016*

**Balance Sheet**  
as of **December 31 20 16**

Form according to OKUD

Date (day, month, year)

According to

Company Limited Liability Company "Sun Pharmaceutical Industries"

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

Authorized business Wholesale trade in pharmaceuticals and medical goods

Incorporation form/ownership \_\_\_\_\_

Limited Liability Company/Joint private and foreign property

Unit of measurement: thousand rubles

Location (address) 129223, Moscow, Mira prospekt, No. 119, bldg. 537/6, suite 62

Acc. to

OKOPF/OKFS

Acc. to OKEI

Codes		
0710001		
31	12	2016
83236036		
7728638440		
46.46.1		
12300		34
384		

Notes	Line item	Code	as of December 31 2016	as of December 31 2015	as of December 31 2014
	<b>ASSETS</b>				
	<b>I. NON-CURRENT ASSETS</b>				
	Intangible assets	1110			
	R&D Results	1120	-	-	-
	Intangible development assets	1130	-	-	-
	Tangible development assets	1140	-	-	-
1	Fixed assets	1150	251	490	1279
	Income-bearing investments into tangible assets	1160	-	-	-
	Financial investments	1170	-	-	-
	Deferred tax assets	1180	11361	15737	9157
	Other non-current assets	1190	-	-	-
	Total for Section I	1100	11612	16227	10436
	<b>II. CURRENT ASSETS</b>				
2.1	Inventories	1210	40	11862	133946
	Including: Materials	12101	0	90	157
	Goods	12102	0	11634	133676
	Prepaid expenses	12103	40	138	113
	Value Added Tax on purchased valuables	1220	-	-	-
3.1	Accounts receivable	1230	3382	135862	243188
	Including:				
	Settlements with suppliers and contractors	12301	690	615	1697
	Settlements with buyers and customers	12302	-	122849	215886
	Settlements for taxes and levies	12303	6	7702	18058
	Settlements for social insurance and security	12304	105	334	219
	Settlements with staff for salary	12305	-	-	49
	Settlements with accountable persons	12306	-	2	2
	Settlements with staff for other transactions	12307	14	-	-
	Settlements with various debtors and creditors	12308	2568	4360	7277
4	Financial investments (except for cash equivalents)	1240	-	-	-
	Cash and cash equivalents	1250	21216	105819	5768
	including:				
	Cash desk of the company	12501	-	-	-
	Current accounts	12502	21186	105784	5741
	Currency accounts	12503	29	35	27
	Other current assets	1260	-	-	-
	Total for section II	1200	24637	253543	382902
	BALANCE	1600	36250	269770	393338



**Profit and Loss Statement**  
for January-December 2016

Form according to OKUD

Date (day, month, year)

Company Limited Liability Company "Sun Pharmaceutical Industries" acc. to OKPO

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

Authorized business Wholesale trade in pharmaceuticals and medical goods OKVED

Incorporation form/ownership \_\_\_\_\_

Limited Liability Company/Joint private and foreign property acc. to OKOPF/OKFS

Units of measurement: thousand rubles acc. to OKEI

Codes		
0710002		
31	12	2016
83236036		
7728638440		
46.46.1		
12300		34
384		

Notes	Line item	Code	For January-December 2016	For January-December 2015
	Proceeds	2110	123286	863266
	Including:			
	Sales of prescription drugs		123286	863266
5	Primary cost of sales	2120	(118492)	(828903)
	including:			
	primary cost of prescription drugs		(118492)	(828903)
	Gross profit (loss)	2100	4794	34363
5	Commercial costs	2210	(3667)	(38173)
	Including: depreciation of fixed assets	2211	(74)	(555)
	Rent of office and warehouse premises	2212	(805)	(3 845)
	Mandatory audit	2213	-	(80)
	Salaries	2214	(1423)	(8700)
	Insurance contributions	2215	(410)	(2273)
	Transportation and customs clearance of the goods	2216	(798)	(6522)
	Services for registration and expert evaluation of the drugs	2217	-	(14152)
	Other	2218	(157)	(2046)
6	Management costs	2220	(11581)	-
	Including: depreciation of fixed assets	2221	(287)	-
	Rent of office and warehouse premises	2222	(3272)	-
	Mandatory audit	2223	(249)	-
	Salaries	2224	(5043)	-
	Insurance contributions	2225	(1166)	-
	Transportation and customs clearance of the goods	2226	(1165)	-
	Other	2227	(399)	-
	Sales profit (loss)	2200	(10454)	(3810)
	Including:			
	Sales of prescription drugs		(10454)	(3810)
	Profit of participation in other companies	2310	-	-
	Interest receivable	2320	-	-
	Interests payable	2330	(57)	(52)
	including:			
	Interest accrued in compliance with Art 269 of Tax Code of the Russian Federation	23301	(57)	(52)
	Other income:	2340	59878	56496
	Including:			
	Profit connected with lease (sublease) of property	23401	12	27
	Profits connected with sale of fixed assets	23402	127	236
	Income in the form of restored valuation provisions	23403	23468	12439
	Reimbursement of loss receivable	23404	86	120
	Exchange rate differences	23405	35999	32975

	Income in form of written-off accounts payable	23406	74	3
	Other income	23407	112	513
	Financial bonus from supplier	23408	-	10183
	Other expenses	2350	(67020)	(108826)
	Including:			
	Expenses connected with sale of fixed assets	23501	(94)	(236)
	Expenses in form of created valuation provisions	23502	(14830)	(21631)
	Banks fee	23503	(351)	(844)
	Fines, penalties and forfeitures payable	23504	(11565)	(8)
	Exchange rate differences	23505	(15149)	(61317)
	Taxes and levies	23506	(55)	(98)
	Expenses in form of written-off accounts receivable	23507	(3216)	(29)
	Other loss referred to the non-sale expenses	23508	(2659)	(1399)
	Donations	23509	-	(39)
	Destruction of drugs	23510	(18934)	(12608)
	Financial bonus according to the terms of agreement	23511	(167)	(10617)
	Profit (loss) before taxation	2300	(17653)	(56192)
	Current profit tax	2410	-	-
	Including permanent tax liabilities (assets)	2421	(7907)	(4658)
	including:			
	permanent tax liabilities (assets)		(7907)	(4 658)
	Changes in deferred tax liabilities	2430	-	-
	Change in deferred tax assets	2450	(4376)	6580
	including:			
	deferred tax assets		(4376)	6580
	Other	2460	-	-
	Net profit (loss)	2400	(22029)	(49612)



**Statement of changes in equity  
for January-December 2016**

Form according to OKUD

Date (day, month, year)

Company Limited Liability Company "Sun Pharmaceutical Industries" acc. to OKPO

Taxpayer identification number INN 7728638440

Authorized business Wholesale trade in pharmaceuticals and medical goods acc. to OKVED

Incorporation form/ownership \_\_\_\_\_

Limited Liability Company/Join private property acc. to OKOPF/OKFS

Units of measurement: thousand rubles acc. to OKEI

Codes		
0710003		
31	12	2016
83236036		
7728638440		
46.46.1		
12300		34
384		

**1. Capital flow**

Line item	Code	Authorized capital	Treasury shares redeemed from the shareholders	Additional capital	Reserve capital	Undistributed profit (uncovered loss)	Total
Capital amount as of December 31, 2014	3100	50		5200		(81 392)	(76 142)
For 2015	3210						
Capital increase - total:							
including: net profit	3211	X	X		X		
property revaluation	3212	X	X		X		
profit referred directly to the capital increase							
3213	X		X		X		
additional share issue	3214				X		
increase in nominal value of shares	3215				X		X
corporate entity restructuring	3216						



Line item	Code	Authorized capital	Treasury shares redeemed from the shareholders	Additional capital	Reserve capital	Undistributed profit (uncovered loss)	Total
Capital decrease - total:	3220	-	-	-	-	(49 612)	(49 612)
including: loss	3221	X	X	X	X	(49 612)	(49 612)
property revaluation	3222	X	X	-	X	-	-
costs referred directly to the capital decrease	3223	X	X	-	X	-	-
decrease of nominal values of shares	3224	-	-	-	X	-	-
decrease in number of shares	3225	-	-	-	X	-	-
corporate entity restructuring	3226	-	-	-	-	-	-
dividends	3227	X	X	X	X	-	-
Change of additional capital	3230	X	X	-	-	-	X
Change of reserve capital	3240	X	X	X	-	-	X
Capital amount as of December 31, 2015	3200	50	-	5200	-	(131 004)	(125 754)
For 2016							
Capital increase - total:	3310	-	-	-	-	-	-
including: net profit	3311	X	X	X	X	-	-
property revaluation	3312	X	X	-	X	-	-
profit referred directly to the capital increase	3313	X	X	-	X	-	-
additional share issue	3314	-	-	-	X	X	-
increase in nominal value of shares	3315	-	-	-	X	-	X
corporate entity restructuring	3316	-	-	-	-	-	-
Capital decrease - total:	3320	-	-	-	-	(22 029)	(22 029)
including: loss	3321	X	X	X	X	(22 029)	(22 029)
property revaluation	3322	X	X	-	X	-	-
costs referred directly to the capital decrease	3323	X	X	-	X	-	-
decrease of nominal values of shares	3324	-	-	-	X	-	-
decrease in number of shares	3325	-	-	-	X	-	-
corporate entity restructuring	3326	-	-	-	-	-	-
dividends	3327	X	X	X	X	-	-
Change of additional capital	3330	X	X	-	-	-	X
Change of reserve capital	3340	X	X	X	-	-	X
Capital amount as of December 31, 2016	3300	50	-	5 200	-	(153 033)	(147 783)

2. Corrections due to changes in accounting policy and correction of errors

Line item	Code	As of December	Changes in capital for 2014		As of December
		31 2013	for the account of net profit (loss)	for the account of other factors	31 2014
<b>Total capital</b>					
before corrections	3400	-	-	-	-
correction due to:					
changes in accounting policy	3410	-	-	-	-
correction of errors	3420	-	-	-	-
after corrections	3500	-	-	-	-
including:					
Undistributed profit (uncovered loss):					
before corrections	3401	-	-	-	-
correction due to:					
changes in accounting policy	3411	-	-	-	-
correction of errors	3421	-	-	-	-
after corrections	3501	-	-	-	-
before corrections	3402	-	-	-	-
correction due to:					
changes in accounting policy	3412	-	-	-	-
correction of errors	3422	-	-	-	-
after corrections	3502	-	-	-	-



**Cash flow Statement**  
as of January-December 2016

Form according to OKUD

Date (day, month, year)

Company Limited Liability Company Sun Pharmaceutical Industries acc. to OKPO

Taxpayer identification number

INN

7728638440

Authorized business Wholesale trade in pharmaceuticals and medical goods

Acc. to

OKVED

46.46.1

Incorporation form/ownership

Limited Liability Company/Joint private property and foreign property acc. to OKOPF/OKFS

12300

34

Units of measurement: thousand rubles

acc. to OKEI

Codes

0710004

31

12

2016

83236036

7728638440

46.46.1

12300

34

384

Line item	Code	For January-December 2016	For January-December 2015
<b>Proceeds from current transactions</b>			
Total proceeds	4110	236 911	951 420
including:			
Sale of products, goods, works and services	4111	234 903	933 870
Rent payments, license payments, royalties, commission and other similar payments	4112	15	97
Resale of financial investments	4113	-	-
Tax refund and others	4114	1 993	-
Other proceeds	4119	-	17 453
Total payments	4120	(321 452)	(851 611)
including:			
To suppliers (contractors) for raw stuff, materials, works, services	4121	(310 717)	(840 332)
To staff as remuneration	4122	(8 127)	(11 086)
Interest on loan	4123	-	-
Corporate tax	4124	-	-
	4125	-	-
Other payments	4129	(2 608)	(193)
Balance of cash flow of current transactions	4100	(84 541)	99 809
<b>Cash flow of investment transactions</b>			
Total proceeds	4210	127	234
including:			
Sale of non-current assets (except for financial investments)	4211	127	234
Sale of shares (participatory interests) held in other companies	4212	-	-
Repayment of issued loans, sale of debt securities (rights on claim of financial assets to the third parties)	4213	-	-
Dividends, interest on loan financial investments and similar proceeds of participation in other Companies	4214	-	-
	4215	-	-
Other proceeds	4219	-	-
Total payments	4220	(183)	-
including:			
acquisition, creation, upgrade, reconstruction and preparation for use of non-current assets	4221	(183)	-
Acquisition of shares in other companies (participatory interests)	4222	-	-
Acquisition of debt securities (rights on claim of financial assets to the third parties), issue of loans to other parties	4223	-	-
Interest on loan liabilities, included into cost of investment assets	4224	-	-
	4225	-	-
Other payments	4229	-	-
Balance of cash flow of investment transactions	4200	(56)	234



## **SUN PHARMACEUTICAL INDUSTRIES**

Moscow, 129223, Prospekt Mira Str., 119, bldg. 537/6, suite 62  
Telephone: (495) 234-56-11

### **NOTES to the Balance Sheet and Profit and Loss Statement of Sun Pharmaceutical Industries LLC for 2016**

#### **1. General Provisions.**

##### Information on incorporation form, name and officers

Full name of the company: Limited Liability Company Sun Pharmaceutical Industries

Short name: Sun Pharmaceutical Industries LLC

Name in foreign language (English): «Sun Pharmaceutical Industries» Limited

INN 7728638440 KPP 771701001

Director: Kanniputur Kuppuswami Kamalakkannan, citizen of the Republic of India

Chief Accountant – Syrkasheva Olga Vladimirovna

##### Information on address (location)

Location of the Company: 129223, Moscow, prospekt Mira Str., 119, building 537/6

Address of permanent executive body:

129223, Moscow, prospekt Mira Str., 119, building 537/6, suite 62

Contact telephone/fax: (495) 234-56-11

##### Information on capital

Amount of the authorized capital - 50thousand rubles (paid by 100%).

##### Information on incorporation of the legal entity and registration authority

Date of registration - 12.11.2007

Main State Registration Number (OGRN) 1077762356770

Registration authority: Interdistrict Inspectorate of the Federal Tax Service of Russia No. 46 in the city of Moscow

##### Information on record with tax authority

Tax authority: Inspectorate of Federal tax Service No. 28 in the city of Moscow (code 7728)

Date of registration: 12.11.2007

Certificate of registration: series 77 No. 008605715 before 28.07.2015,

Tax authority: Inspectorate of Federal tax Service No. 17 in the city of Moscow (code 7717)

Date of registration: 29.07.2015

Certificate of registration: series 77 No. 017228646 since 29.07.2015,

##### Information on founding members

Number of founding members – 1.

Founding member – foreign legal entity: Sun Pharmaceutical Industries Limited, manufacturer of pharmaceuticals

Country of incorporation: Republic of India

Address: SPARK, Tandalia, Baroda-390 020, Gujarat, INDIA

Date of registration: 01.03.1993

Registration number: 04-19050

Registration authority: Department of Registration of Business Companies of Gujarat

Amount of contribution to the authorized capital by the founding member: 50 000 rubles.

#### Information on businesses and licenses

Main business – wholesale trade in pharmaceuticals and medical goods (OKVED code - 46.46.1)

License for pharmaceutical business No. FS-99-02-004990 dated 15.10.2015, issued by Federal Service for supervision in the field of healthcare, without limitation in time, to exercise at the address: 129223, Moscow, prospekt Mira Str., 119, building 537/6 and at the address: 109428, Moscow, Ryazansky prospekt, 16, bldg. 3, suite 1.

Since 15.06.2016

License for pharmaceutical business No. FS-99-02-005430 dated 15.06.2016, issued by Federal Service for supervision in the field of healthcare, without limitation in time, to exercise at the address: 129223, Moscow, Prospekt Mira Str., 119, bldg. 537/6 and at the address: 143581, Moscow region, Istrinsky district, village Leshkovo, 248, bldg. 2-4.

Number of employees as at the reported date - 5 persons

#### Information on detached divisions

Until 23.03.2016

The company operates its detached division – warehouse of pharmaceuticals located at the address: 109428, Moscow, Ryazansky prospekt, 16, bldg. 3, suite 1 (KIII 772145001)

Since 03.03.2016

The detached division – warehouse of pharmaceuticals is located at the address: 143581, Moscow region, Istrinsky district, village Leshkovo, bldg.248, 2-4. (KIII 501745001)

The detached division does not have a status of a legal entity, it does not own detached property, separate balance, and current accounts opened in the banks.

## **2. Information on business**

The company does not refer to a small business entity, it applies a standard taxation scheme and practices PBU 18/02 “Profit tax accounting”.

The company carried out trade business – wholesale trade in drugs, during the reported year.

The Company did not carried out investment business during the reported year.

## **3. Main elements of accounting policy of the Company.**

Accounting statements for 2016 were prepared in compliance with the requirements of Russian laws with respect to preparation and presentation of the accounting statements, and Accounting policy of the Company, approved by Order dated 25.12.2015 No. 16, which is prepared according to requirements of Federal Law dated 06.12.2011 No. 402-FZ “On accounting”, Accounting regulation “Accounting Policy of Companies” PBU 1/2008, approved by the Order of the Ministry of Finance of the Russian Federation dated 06.10.2008 No. 106n, Accounting regulation “Accounting records of companies” PBU 4/99, approved by the Order of the Ministry of Finance of the Russian Federation dated 06.07.1999 No. 43n, Order of the Ministry of Finance of the Russian Federation dated 02.07.2010 No. 66n “On forms of accounting”, and in compliance with PBU 8/2010 “Estimated liabilities, contingent liabilities and contingent assets”, approved by the Order of the Ministry of Finance of the Russian Federation dated 13.12.2010 No. 167n and any other regulations and accounting methodological documents.

#### Organizational and technical aspects of accounting policy

- Accounting and tax accounting are carried out by accounting department under the management of Chief Accountant;
- The accounting is carried out with the help of special accounting software 1C: Enterprise UPP 8.2.
- As working chart of accounts, the Company uses the chart of accounts from 1C software, which is created on the basis of model Chart of accounts approved by the Order of the Ministry of Finance of the Russian Federation dated 31.10.2000 No. 94n
  - The Company uses the ledgers for accounts and tax records generated by 1C software.

**Main elements of accounting policy for the purposes of accounting:**

- Accounting of property, liabilities and business transactions is carried out in Russian rubles and kopecks;
  - The figure of 10 per cent is a materiality guideline;
- The unified forms approved by the State Statistics Committee of Russia are used as the forms of primary accounting documents. In addition, the Company uses the forms generated by 1C software;
- The forms indicated in appendix to the Order of the Ministry of Finance of Russia dated 02.07.2010 No. 66n are used as accounting records forms;
- Document flow Schedule is subject to approval by a separate order of Director;
- Inventory taking of assets and liabilities is carried out in compliance with the procedure approved by the Order of the Ministry of Finance of Russia dated 13.06.95 No. 49. The terms of inventory taking for the selected types of assets and liabilities are subject to separate orders of Director;
- Limit cost of assets recognized within the fixed assets is 40 000 rubles;
  - A single method of depreciation accrual, i.e. linear method, is used for all fixed assets;
- Useful life of fixed assets is determined proceeding from the Classification of fixed assets, included into depreciation groups, approved by the Order of the Government of the Russian Federation dated 01.01.02 No. 1;
  - Provision for repair of fixed assets is not formed;
    - Expenses for the repair are recorded in the accounts of the reported period, during which such repairs were done;
      - A single method of depreciation accrual, i.e. linear method, is used for all intangible assets;
  - Stock number is a unit of account of materials;
  - The materials are recognized by actual prices;
  - For goods valuation, when they are transferred for sale or other purposes, the Company uses a single method, i.e. average primary cost method;
    - Transport and procurement expenses during the purchase of goods are included into the primary cost of the purchased goods;
  - The primary cost of the purchased goods is formed in account 15 "Procurement and purchase of tangible assets" without using account 16 "Deviation in cost of tangible assets";
  - In order to evaluate all goods, when they are transferred to sale or other purposes, the Company uses a single method – cost of goods is transferred to expenses at their average primary value;
    - Special tooling and overalls are recognized in manner prescribed for the accounting of materials and supplies inventories;
  - Expenses for obtaining of loans are recognized for a total amount in the same reported period, when such expenses were incurred;
    - The Company creates the Provisions for doubtful debts, for decrease in value of inventories, incurred costs without documentary support, bonuses for customers;
  - Permanent and temporary differences are recorded in the accounts on the basis of primary accounting documents and affect tax accounts immediately, which names and intended purposes are similar;



- The amounts of deferred tax asset and deferred tax liability are recorded separately in accounts.

### **Main principles of accounting policy for the purposes of taxation:**

#### Accounting policy with respect to profit tax

- The facilities complying with the requirements of Articles 256 and 257 of Tax Code of the Russian Federation, which useful life is more than 12 months and primary cost is more than 100 thousand rubles, are recognized within the depreciated assets;
- Increasing and decreasing factors of depreciation value are not used;
- When selling the bought-in goods, their acquisition cost is determined according to average cost;
- Provisions (for repairs of fixed assets, for doubtful debts, for warranty repairs and maintenance) are not formed;
- Interests on loans are included into costs in amount not more than key interest rate of the Central Bank of the Russian Federation multiplied by 1.5 – for liabilities in rubles and 22 per cent per annum for liabilities in foreign exchange (before 31.07.2009), and since 01.08.2009 – up to the amount of key interest rate of the Central Bank of the Russian Federation multiplied by 2 for liabilities in rubles and 22 per cent per annum for liabilities in foreign exchange;
  - Three, six and nine months of the calendar year are regarded as reported periods for the purposes of profit tax;
  - Settlements for profit tax are made by payment of monthly advance payments;
- Profit and loss are recognized by accrual method;
- The acquisition cost of goods for sale comprises the purchase price of the goods, customs fees and levies, costs for delivery of the goods to the company's warehouse, other costs related to acquisition of the goods;
  - The cost of the acquired goods is recorded with account 15 and without using account 16;
  - The taxes accrued to the detached division are paid by the head company at place of its location;
- Taxable profit falling to the detached division located in other place than the head company, is determined pro rata to the average number of staff;

#### Accounting policy for value added tax

- The transactions imposed at the rates 10 and 18 per cent, and exempt transaction are recorded separately in accounting and tax accounting ledgers;
- For goods (works, services, proprietary interests), used both in transactions subject to VAT and exempt transactions, the deduction amount is determined pro rata to the value of goods (works, services, proprietary interests), shipped during the reported quarter and subject to VAT, within the total value of goods (works, services, proprietary interests), shipped during the reported quarter;
  - The detached divisions do not issue pro forma invoices and do not keep purchase ledgers and sales ledgers;
- Tax accounting data are collected in tax accounting ledgers on the basis of the primary documents, including the accounting notes.

#### **4. Main exponents of Company's business and information on financial standing.**

The Company carried out business of wholesale trade in drugs in January and February 2016.

The Company got the proceeds of sales in the amount of 123 286 thousand rubles in 2016, the primary cost of the sales was 118 492 thousand rubles, and the Company incurred costs associated with main business of 3 667 thousand rubles in total, management expenses amounted to 11 581 thousand rubles. The loss of sales in the amount of 10 454 thousand rubles was incurred in the reported year.

In 2016 the other accounting income amounted to 59 878 thousand rubles, other expenses amounted to 67 020 thousand rubles. The loss of non-sale transactions amounted to 7 142 thousand rubles.

Within other revenues and expenses, the main part falls to exchange rate differences and costs associated with destruction of the expired drugs. Profit of exchange rate differences amounted to 35 999 thousand

rubles, loss of exchange rate differences amounted to 15 149 thousand rubles; loss connected with destruction of the expired drugs amounted to 18 934 thousand rubles. Profit of the exchange rate differences amounted to 20 850 thousand rubles. The financial bonuses of 67 thousand rubles were provided to the buyers during the reported year.

Upon the results of the reported year, the loss before taxation for accounting amounted to 17 653 thousand rubles.

The profit in tax accounting amounted to 21 845 thousand rubles due to non - recognition of management costs and deducted the closing balance of the loss not carried over to new tax periods.

Clearing off of deferred tax assets - 4 376 thousand rubles. Provisional profit tax loss - 3 531 thousand rubles Permanent tax asset – 4 693 thousand rubles. Permanent tax liability -12 600 thousand rubles. Change in deferred tax liabilities – 7 907 thousand rubles.

Net loss in accounting amounted to 22 029 thousand rubles.

The proceeds and payments are recorded in section “Cash flow of current transactions” of Cash Flow Statement with consideration of the comparability for 2015 and 2016 , net of VAT.

VAT amount is indicated in a compressed form in line 4119 “Other revenue”:

- for 2015 - 16 168 thousand rubles

VAT amount is indicated in a compressed form in line 4129 “Other payments”:

- for 2016 - 2 335 thousand rubles.

#### Comparison of main balance sheet ratios of the Company from the same period last year:

In 2015 the Company received proceedings amounted to 863 266 thousand rubles, primary cost of sales was 828 903 thousand rubles, total amount of loss incurred of the main business was 38 173 thousand rubles, loss of sales was 3 810 thousand rubles. During the reported year the sales deduction totaled 739 980 thousand rubles, which is by 85,72 % less than in the previous year. Share of primary cost within the sales revenue was at maintenance level, by 85,70 % reduction. Share of selling costs within the sales revenue decreased by 1,45% , by 90,39 % deduction. Gross profit decreases by 86 % in the reported period.

In 2015 other income in accounting amounted to 56 496 thousand rubles, other expenses were - 108 826 thousand rubles. Loss of non-sale transactions amounted to 52 330 thousand rubles. The loss decreased by 86% as compared with the previous year.

In view of 2015 results, the Company incurred a loss in accounts in the amount of 56 192 thousand rubles and decrease of loss before taxation by 68,58%.

In 2015 the Company incurred a loss of 32 756 thousand rubles recorded in tax accounting. The decrease of net loss amounted to 44,40% in the reported year.

#### Information on transactions in foreign exchange

In 2016 the Company carried out transactions in foreign exchange (USD): accrual of interest on loan, revaluation of assets and liabilities in foreign exchange as at the transaction date and accounts preparation date.

The exchange rate differences in 2016 were caused by revaluation of assets and liabilities in foreign exchange (loan liabilities, liabilities to foreign supplier under the purchase of claim letter agreement, cash on currency accounts). The profit of 20 850 thousand rubles was incurred due to exchange rate differences upon the results of 2016.

Exchange rate of the Central Bank of the Russian Federation applied as at the reported date of accounting statements (as at 31.12.2016):

1 USD = 60,6569 rubles

#### Settlements for profit tax (application of rules of PBU 18/02).

The substantial discrepancies between the accounting and tax records are caused by the fact that the following expenses were not accepted for the purposes of taxation in the reported year (permanent differences occurred):

- amounts of management costs – 11 581 thousand rubles

- amounts of written-off VAT (amounts of VAT on the destroyed drugs, restored for payment to budget) - 2 568 thousand rubles
- amounts of provision for inventory depreciation (this provision is not created within tax accounting) - 11 490 thousand rubles
- amounts of provision for doubtful debts (this provision is not created within tax accounting) - 191 thousand rubles
- amounts of provision for bonus to buyer and current costs (this provision is not created within tax accounting) - 3 150 thousand rubles
- amounts referred to the destroyed drugs - 18 934 thousand rubles.
- collection for the benefit of ZAO «Farm Synthez» due to Moscow Arbitration court order FS № 007198006 dated 04.02.2016 was executed in February, 9<sup>th</sup>, 2016 in the amount of 11 563 thousand rubles.

In addition, the temporary differences occurred in the accounting due to creation of estimated liabilities for vacations in accounting records and no such creation in tax records.

#### Provisions and estimated liabilities

In 2016, the previous provision for doubtful debts was cleared in accounting in the amount of 52 thousand rubles (the buyers repaid the debt for supplied goods), the amount 145 thousand rubles of provision not used before was added to the profit of the reported period. As at 31.12.2016, the provision for doubtful debts was created in the amount of 4 663 thousand rubles. In addition, as at 31.12.2016, the provision for inventory depreciation was cleared in the amount of 18 859 thousand rubles (cost of expired drugs subject to destruction), provision for paid leave - 65 thousand rubles, provision for annual bonus, - 42 thousand rubles, provision for current expenses - 28 thousand rubles were formed.

No provisions were created within the tax accounting.

#### Loan liabilities and maturity periods

The line 15103 of the Balance Sheet records the loan liabilities in rubles – in foreign exchange in the amount of USD 1 700 000 – 103 117 thousand rubles. Maturity of loans falls to April 2017.

5. Explanation of information set out in the accounting statements.

1. Fixed Assets  
1.1. Fixed assets availability and flow

Line item	Code	Period	As of beg. of year		Changes for period					As of the end of year	
			Primary cost	Accumulated depreciation	Receipt	Retired items		Revaluation		Primary cost	Accumulated depreciation
						Primary cost	Accumulated depreciation	Primary cost	Accumulated depreciation		
Total Fixed assets (without consideration of income-bearing investments into tangible assets)	5200	for 2016	2152	(1662)	216	(1213)	1118	(360)	-	1155	(904)
Including: Vehicles	5210	for 2015	2919	(1640)	-	(767)	533	(555)	-	2152	(1662)
	5201	for 2016	1213	(977)	-	(1213)	1118	(141)	-	-	-
	5211	for 2015	1776	(915)	-	(563)	329	(391)	-	1213	(977)
Machines and equipment (except for office machines and equipment)	5202	for 2016	382	(628)	216	-	-	(219)	-	1098	(847)
	5212	for 2015	382	(464)	-	-	-	(164)	-	882	(628)
Office equipment	5203	for 2016	57	(57)	-	-	-	-	-	57	(57)
	5213	for 2015	57	(57)	-	-	-	-	-	57	(57)
Other fixed assets	5204	for 2016	-	-	-	-	-	-	-	-	-
	5214	for 2015	204	(204)	-	(204)	204	-	-	-	-
Total; recognized within income-bearing investments into material valuables	5220	for 2016	-	-	-	-	-	-	-	-	-
Including:	5230	for 2015	-	-	-	-	-	-	-	-	-
	5221	for 2016	-	-	-	-	-	-	-	-	-
	5231	for 2015	-	-	-	-	-	-	-	-	-

1.2. Capital investments in progress

Line description	Code	Period	As of beginning of year	Changes for period		As of the end of the period
				Costs during the period	Accepted for recognition of fixed assets of cost is increased	
Total construction in progress and transactions in progress for acquisition, upgrading etc. of fixed assets	5240	for 2016	-	216	(216)	-
Including:	5250	for 2015	-	-	-	-

Monoblock MGM1107S, compress-kondens aggregate LH64/2DC-3.2Y+NHB 078E	5241	for 2016	216	(216)
	5251	for 2015		
	5242	for 2016		
	5252	for 2015		
	5243	for 2016		
	5253	for 2015		
	5244	for 2016		
	5254	for 2015		
	5245	for 2016		
	5255	for 2015		

**1.3. Change in cost of fixed assets as a result of further construction, further equipping, reconstruction and partial liquidation**

Line description	Code	for 2016	for 2015
Total increase in costs of fixed assets as a result of further construction, further equipping, reconstruction	5260	216	-
Including: Refrigeration camera and equipment, compressor base Bitzer(Germany)	5261	216	-
Total decrease of cost of fixed assets as a result of partial liquidation:	5270	-	-
including:	5271	-	-

**1.4. Other use of fixed assets**

Line item	Code	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014
Fixed assets transferred into rent, accounted in balance	5280	-	-	-
Fixed assets transferred into rent, accounted out of balance	5281	-	704	1236
Fixed assets received into rent, accounted in balance	5282	-	-	-
Fixed assets received into rent, accounted out of balance	5283	324	-	-
Real estate facilities accepted for operation and actually used, in the course of state registration	5284	-	-	-
Laid up fixed assets	5285	-	-	-
Other use of fixed assets (pledge etc.)	5286	-	-	-

**2. Inventories**  
**2.1. Availability and flow of inventories**

Line item	Code	Period	As of beg. of year		Changes for period					As of the end of year	
			Primary cost	Inventory provision	Receipts and costs	Retired		Loss of decrease in cost	Turnover of inventory between their groups (types)	Primary cost	Inventory provision
						Primary cost	Inventory provision				
Total inventory	5400	for 2016	19 231	(7 369)	122 461	(141 652)	18 859	(11 490)	X	40	-
	5420	for 2015	135 747	(1 801)	805 335	(921 851)	10 301	(15 869)	X	19 231	(7369)
including:											
Raw stuff, materials and other similar inventories	5401	for 2016	90	-	25	(115)	-	-	-	-	-
Finished products	5421	for 2015	157	-	259	(326)	-	-	21	90	-
	5402	for 2016	-	-	-	-	-	-	-	-	-
5422	for 2015	-	-	-	-	-	-	-	-	-	-
Goods for resale	5403	for 2016	19 003	(7 369)	118 423	(137 426)	18 859	(11 490)	8 014	-	-
	5423	for 2015	135 477	(1 801)	765 895	(882 369)	10 301	(15 869)	40 906	19 003	(7 369)
Shipped goods and finished products	5404	for 2016	-	-	-	-	-	-	-	-	-
	5424	for 2015	-	-	-	-	-	-	-	-	-
Expenses in production in progress	5405	for 2016	-	-	-	-	-	-	-	-	-
	5425	for 2015	-	-	-	-	-	-	-	-	-
Other inventories and costs	5406	for 2016	-	-	3 667	(3 667)	-	-	-	-	-
	5426	for 2015	-	-	38 173	(38 173)	-	-	-	-	-
Prepaid expenses (for analytic accounts, which are set out in balance within "Inventories")	5407	for 2016	138	-	346	(444)	-	-	-	40	-
	5427	for 2015	113	-	1 008	(983)	-	-	-	138	-

**3. Accounts receivable and Accounts payable**  
**3.1 Availability and flow of accounts receivable**

Line item	Code	Period	As of beginning of period		Changes for period					As at the end of period			
			Recognized under the terms of agreement	Amount of provision for doubtful debt	Receipt		Retired			Provision recovery	Transfer from long-term to short-term debt	Recognized under the terms of agreement	Amount of reserve for bad debt
					As a result of business transactions (debt amount under the transaction)	Outstanding interest, fines and other accruals	Repayment	Writing-off to finance result					
Total long-term accounts receivable	5501	for 2015	-	-	-	-	-	-	-	-	-	-	-
	5521	for 2014	-	-	-	-	-	-	-	-	-	-	-
Including: Settlements with buyers and customers issued advances	5502	for 2015	-	-	-	-	-	-	-	-	-	-	-
	5522	for 2014	-	-	-	-	-	-	-	-	-	-	-
	5503	for 2015	-	-	-	-	-	-	-	-	-	-	-
	5523	for 2014	-	-	-	-	-	-	-	-	-	-	-
	5504	for 2015	-	-	-	-	-	-	-	-	-	-	-
	5524	for 2014	-	-	-	-	-	-	-	-	-	-	-
	5505	for 2015	-	-	-	-	-	-	-	-	-	-	-
Total short-term accounts receivable	5525	for 2014	-	-	-	-	-	-	-	-	-	-	-
	5510	for 2016	140 386	(4524)	548	60	(132 950)	-	(138)	-	8 044	(4662)	
Including: Settlements with buyers and customers Issued advances	5530	for 2015	245 523	(2335)	93 528	-	(198 665)	-	(2189)	-	140 386	(4524)	
	5511	for 2016	127 373	(4524)	-	-	(122 855)	-	6	-	4 518	(4 518)	
	5531	for 2015	218 221	(2335)	90 848	-	(181 696)	-	(2 189)	-	127 373	(4 524)	
	5512	for 2016	615	-	548	-	(473)	-	-	-	690	-	
	5532	for 2015	1697	-	601	-	(1683)	-	-	-	615	-	
	5513	for 2016	12 398	-	60	60	(9 622)	-	(144)	-	2 836	(144)	
	5533	for 2015	25 605	-	2 079	-	(15 286)	-	-	-	12 398	-	
Total	5514	for 2016	-	-	-	-	-	-	-	-	-	-	-
	5534	for 2015	-	-	-	-	-	-	-	-	-	-	-
Total	5500	for 2016	140 386	(4 524)	548	60	(132 950)	-	(138)	-	8 044	(4 662)	
	5520	for 2015	245 523	(2335)	93 528	-	(198 665)	-	(2189)	-	140 386	(4 524)	

3.2. Availability and flow of accounts payable

Line item	Code	Period	Balance as at the beginning of period	Changes for period			Transfer from long-term to short-term debt	Balance as at the end of period
				Receipt		Retired		
				As a result of business transactions (debt amount under the transaction)	Outstanding interest, fines and other accruals			
Total long-term Accounts payable	5551	for 2016	-	-	-	-	-	
	5571	for 2015	95 639	28261	-	(123900)	-	
including: credits								
	5552	for 2016	-	-	-	-	-	
	5572	for 2015	-	-	-	-	-	
loans	5553	for 2016	-	-	-	-	-	
	5573	for 2015	95639	28261	-	(123900)	-	
other	5554	for 2016	-	-	-	-	-	
	5574	for 2015	-	-	-	-	-	
Total short-term Accounts payable	5560	for 2016	393 944	-	3	(210 049)	183898	
	5580	for 2015	373 841	184 911	-	(288 708)	393944	
including: settlements with suppliers and contractors	5561	for 2016	189 265	-	-	(189 212)	53	
	5581	for 2015	293 084	184 578	-	(288 397)	189 265	
Received advances	5562	for 2016	-	-	-	-	-	
	5582	for 2015	150	-	-	(150)	-	
Settlements for taxes and levies	5563	for 2016	56	-	-	(37)	19	
	5583	for 2015	17	96	-	(57)	56	
Credits	5564	for 2016	123 900	-	-	(20 783)	103 117	
	5584	for 2015	-	-	-	-	123 900	
Interest on loan	5565	for 2016	411	-	-	(17)	394	
	5585	for 2015	269	237	-	(95)	411	
Other	5566	for 2016	80 312	-	3	-	80 315	
	5586	for 2015	80 321	-	-	(9)	80 312	
	5567	for 2016	-	-	-	-	-	
	5587	for 2015	-	-	-	-	-	
Total	5550	for 2016	393 944	-	3	(210 049)	183 898	
	5570	for 2015	469 480	213 172	3	(288 708)	393 944	



**4. Financial investments**  
**4.1. Availability and flow of financial investments**

Line item	Code	Period	As of beginning of the year		Change for the period			As of the end of the period			
			Primary cost	Accumulated correction	Receipt	Primary cost retired (cleared)	Accumulated correction	Accrual of interest (including bringing of primary cost to nominal cost)	Current market cost (loss of depreciation)	Primary cost	Accumulated correction
Long-term investments - total	5301	for 2016	-	-	-	-	-	-	-	-	-
	5311	for 2015	-	-	-	-	-	-	-	-	-
including:											
Short-term investments - total	5302	for 2016	-	-	-	-	-	-	-	-	-
	5312	for 2015	-	-	-	-	-	-	-	-	-
	5305	for 2016	-	-	-	-	-	-	-	-	-
	5315	for 2015	-	-	-	-	-	-	-	-	-
Including: Assignment of claim	5306	for 2016	-	-	-	-	-	-	-	-	-
	5316	for 2015	-	-	-	-	-	-	-	-	-
Financial investments -	5300	for 2016	-	-	-	-	-	-	-	-	-
TOTAL	5310	for 2015	-	-	-	-	-	-	-	-	-

**5. Production costs**

Line item	Code	for 2016	for 2015
Tangible costs	5610	118 492	828 903
Salaries	5620	6 466	8 700
Social security withholdings	5630	1 576	2 273
Depreciation	5640	361	555
Other costs	5650	6 845	26 645
Total by items	5660	133 740	867 076
Change (increase [-]): in production in progress, finished products etc.	5670	-	-
Change (decrease [+]): in production in progress, finished products etc.	5680	-	-
Total costs for ordinary business	5600	133 740	867 076

**6. Estimated liabilities**

Line item	Code	Balance as of beginning of year	Recognized	Retired	Written-off as excessive amount	Balance as of the end of period
Total estimated liabilities	5700	1580	4642	(1530)	(4557)	135
including:						
Estimated liabilities for payment of paid leave	5701	-	1210	(1145)		65
Estimated liabilities for payment of annual bonus	5702	144	283	(385)		42
Estimated liabilities for payment of bonus to buyers	5703	1403	47	-	(1450)	-
Estimated liabilities for actual costs	570	33	3102	-	(3107)	28

**7. Security of liabilities**

Line description	Code	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014
Total received	5800			
including:				
	5801			
Total issued	5810	-	13	52
including:				
Security for contracts under the electronic auctions	5811	-	-	52

