

**Audit Company “Best-Audit”
Since 1994**

Member of Russian Chamber of Auditors (Association)

AUDIT REPORT

Our Ref. No. 144 dated March 26, 2018

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

Opinion

We audited the attached accounting (financial) statements of the Limited Liability Company “Sun Pharmaceutical Industries” (OGRN 1077762356770, 129223, Moscow, prospect Mira Street, 119, building 537/6, suite 62), consisting of the Balance Sheet as of December 31, 2017, Profit and Loss Statement for 2017, annexes to the Balance Sheet and Profit and Loss Statement, namely: Statement of Changes in Equity for 2017 and Cash Flow Statement for 2017, explanations to the Balance Sheet and Profit and Loss Statement for 2017, including the brief review of main provisions of the accounting policy.

In our opinion, the attached annual accounting (financial) statements show reliably in all material aspects the financial status of the Limited Liability Company “Sun Pharmaceutical Industries” (hereinafter referred to as “the Company”), as of December 31, 2017, financial results of operation and cash flows during 2017 in compliance with the rules of accounting (financial) statements preparation, applicable in the Russian Federation.

Basis of opinion

We conducted the audit in compliance with International Audit Standards (IAS). Our responsibility in compliance with such standards is described in section “Responsibility of auditor for the audit of annual accounting (financial) statements” of this opinion. We are independent from the audited entity according to the Rules of independence of auditors and audit firms and Professional Code of Conduct of Auditors, corresponding to the Professional Code of Conduct of Chartered Accountants, developed by the Accounting Professional and Ethical Standards Board, and we did any other duties in compliance with such requirements of professional ethics. We believe that the audit evidences obtained by us are sufficient and reliable to serve as basis for our opinion.

Material uncertainty with respect to continuity of business

Please note Section 9 of Notes to the Balance Sheet and Profit and Loss Statement, stating that the figure of net assets of the Company as of December 31, 2017 is negative. The main reason is a loss incurred of the financial and business operations, arising mostly due to executive and any other expenses, and absence of commercial operations during 2017. We confirm that the information on such event was adequately stated in the attached accounting (financial) statements. We do not express a modified opinion in connection to such matter.

Responsibility of the management of audited entity for the annual accounting (financial) statements

The management of the Company is responsible for preparation and reliable presentation of the above annual accounting (financial) statements in compliance with Rules of preparation of accounting (financial) statements, applicable in the Russian Federation, and for the system of internal control, which the management deems necessary for preparation of annual accounting (financial) statements, without material misstatements due to improper actions or errors.

When preparing the annual accounting (financial) statements, the management of the Company bears the responsibility for assessment of ability of the audited entity to continue without interruptions its business, for disclosure in respective cases of data, referred to continuity of business, and for preparation of statements on the basis of assumption on continuity of business, except for the cases, when the management intends to wind up the audited entity, terminate its operations or when they do not have any real alternative, except for liquidation or termination of business.

Responsibility of auditor for audit of annual accounting (financial) statements

Our purpose is to obtain reasonable assurance about whether the annual accounting (financial) statements are free of material misstatements due to improper actions or errors, and preparation of audit report containing our opinion. The reasonable assurance is a high level assurance, but it is not a guarantee that the audit, conducted in compliance with IAS, always detects the material misstatements, if any. The misstatements may result from improper actions and errors and treated as material, if it's possible to reasonably suggest that they can influence, separately or in aggregate, the economic decisions of users, adopted on the basis of such annual accounting (financial) statements.

As part of audit conducted in compliance with IAS, we apply the professional judgment and reserve the professional skepticism during the whole audit. In addition, we:

- a) reveal and assess risks of material misstatements of annual accounting (financial) statements due to improper actions or errors; develop and implement audit procedures in response to such risks; obtain audit evidences, being sufficient and proper, in order to serve as basis for our opinion. The risk of non-revealing of a material misstatement as a result of improper actions is higher than the risk of non-revealing of a material misstatement as a result of error, as improper actions may comprise concert, forgery, willful omission, misrepresentation of information or actions in circumvention of internal control system;
- b) obtain understanding of internal control system, which is relevant for the audit, in order to develop the audit procedures, corresponding to the circumstances, but not for the purpose of expressing opinion on efficiency of internal control system of the audited entity;
- c) assess proper nature of the applied accounting policy, validity of accounting judgments and

respective information disclosure, prepared by the management of the audited entity;

d) conclude on lawfulness of application by the management of the audited entity of assumption on continuity of business, and on the basis of obtained audit evidences – conclusion on whether there is a material uncertainty in connection with events or conditions, probably resulting in material doubts in ability of the audited entity to continue its business without interruptions. If we arrive at a conclusion on availability of material uncertainty, we should draw attention in our audit report to a respective information disclosure in the annual accounting (financial) statements or, if such information disclosure is not due, we should modify our opinion. Our conclusions are based on the audit evidences, obtained before the date of our audit report. However any future events or conditions may result in inability of the audited entity to continue its business;

e) assess the representation of the annual (financial) statements in general, its structure and contents, including disclosure of information, and whether the annual accounting (financial) statements represents the underlying operations and events as to ensure their reliable presentation.

We implement the information cooperation with the management of the audited entity, bringing to their attention, inter alia, information on the planned scope and timeframes of the audit, and on the material comments upon the results of audit, including on material defects of internal control system, which we reveal during the audit.

Audit firm:

Joint Stock Company “Audit Company “Best-Audit”,

OGRN 1027700591027,

117420, Moscow, Profsoyuznaya Street, 57, 7th floor, suite II, office 56

Member of Self-regulated Organization of Auditors “Russian Auditors Union” (Association)

ORNZ (Principal Number of Registration Entry) 10303000020

General Director

Audit Company “Best-Audit” JSC: /signature/ Egorov M.E.

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

March 26, 2018

Seal:

Joint Stock Company “Audit Company “Best-Audit”

Moscow

Audit Opinion on Accounting (financial) Statements of Sun Pharmaceutical Industries LLC for 2017

Balance Sheet
as of December 31 20 17

Form according to OKUD

Date (day, month, year)

According to

Company Limited Liability Company "Sun Pharmaceutical Industries"

OKPO

Taxpayer identification number

INN

Authorized business Wholesale trade in pharmaceuticals and medical goods

Acc. to

OKVED

Incorporation form/ownership

Acc. to

OKOPF/OKFS

Limited Liability Company/Joint private and foreign property

Unit of measurement: thousand rubles

Acc. to OKEI

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

Codes		
0710001		
31	12	2017
83236036		
7728638440		
46.46.1		
12300	34	
384		

Notes	Line item	Code	as of December 31, 2017	as of December 31, 2016	as of December 31, 2015
	ASSETS				
	I. NON-CURRENT ASSETS				
	Intangible assets	1110			
	R&D Results	1120	-	-	-
	Intangible development assets	1130	-	-	-
	Tangible development assets	1140	-	-	-
1	Fixed assets	1150	50	251	490
	Income-bearing investments into tangible assets	1160	0	0	0
	Financial investments	1170	0	0	0
	Deferred tax assets	1180	10823	11361	15737
	Other non-current assets	1190	0	0	0
	Total for Section I	1100	10873	11612	16227
	II. CURRENT ASSETS				
2.1	Inventories	1210	33	40	11862
	Including: Materials	12101	0	0	90
	Goods	12102	0	0	11634
	Prepaid expenses	12103	33	40	138
	Value Added Tax on purchased valuables	1220	-	-	-
3.1	Accounts receivable	1230	1269	3382	135862
	Including:				
	Settlements with suppliers and contractors	12301	441	690	615
	Settlements with buyers and customers	12302	0	0	122849
	Settlements for taxes and levies	12303	685	6	7702
	Settlements for social insurance and security	12304	83	105	334
	Settlements with staff for salary	12305	-	-	-
	Settlements with accountable persons	12306	-	-	2
	Settlements with staff for other transactions	12307	60	14	-
	Settlements with various debtors and creditors	12308	-	2568	4360
4	Financial investments (except for cash equivalents)	1240	-	-	-
	Cash and cash equivalents	1250	16928	21216	105819
	including:				

	Cash desk of the company	12501	-	-	-
	Current accounts	12502	16900	21186	105784
	Currency accounts	12503	28	29	35
	Other current assets	1260	-	-	-
	Total for section II	1200	18230	24637	253543
	BALANCE	1600	29103	36250	269770

Profit and Loss Statement
for January-December 20 17

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 acc. to 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	2017
83236036		
7728638440		
46.46.1		
12300		34
384		

Notes	Line item	Code	For January-December 2017	For January-December 2016
	Proceeds	2110	-	123286
	Including:		-	-
	Sales of prescription drugs			123286
5	Primary cost of sales	2120	-	(118492)
	including:		-	-
	primary cost of prescription drugs			(118492)
	Gross profit (loss)	2100	-	4794
5	Commercial costs	2210	-	(3667)
	Including: depreciation of fixed assets	2211	-	(74)
	Rent of office and warehouse premises	2212	-	(805)
	Mandatory audit	2213	-	-
	Salaries	2214	-	(1423)
	Insurance contributions	2215	-	(410)
	Transportation and customs clearance of the goods	2216	-	(798)
	Services for registration and expert evaluation of the drugs	2217	-	-
	Other	2218	-	(157)
6	Management costs	2220	(5392)	(11581)
	Including: depreciation of fixed assets	2221	(201)	(287)
	Rent of office and warehouse premises	2222	(2570)	(3272)
	Mandatory audit	2223	(153)	(249)
	Salaries	2224	(1304)	(5043)
	Insurance contributions	2225	(379)	(1166)
	Transportation and customs clearance of the goods	2226	-	(1165)
	Other	2227	(785)	(399)
	Sales profit (loss)	2200	(5392)	(10454)
	Including:			
	Sales of prescription drugs		-	(10454)
	Profit of participation in other companies	2310	-	-
	Interest receivable	2320	-	-
	Interests payable	2330	(50)	(57)
	including:			
	Interest accrued in compliance with Art 269 of Tax Code of the Russian Federation	23301	(50)	(57)
	Other income:	2340	15126	59878
	Including:			
	Profit connected with lease (sublease) of property	23401	-	12

	Profits connected with sale of fixed assets	23402	-	127
	Income in the form of restored valuation provisions	23403	2905	23468
	Reimbursement of loss receivable	23404	-	86
	Exchange rate differences	23405	12204	35999
	Income in form of written-off accounts payable	23406	17	74
	Other income	23407	-	112
	Other expenses	2350	(10865)	(67020)
	Including:			
	Expenses connected with sale of fixed assets	23501	-	(94)
	Expenses in form of created valuation provisions	23502	(3074)	(14830)
	Banks fee	23503	(72)	(351)
	Fines, penalties and forfeitures payable	23504	-	(11565)
	Exchange rate differences	23505	(6988)	(15149)
	Taxes and levies	23506	(7)	(55)
	Expenses in form of written-off accounts receivable	23507	(92)	(3216)
	Other loss referred to the non-sale expenses	23508	(632)	(2659)
	Destruction of drugs	23510	-	(18934)
	Financial bonus according to the terms of agreement	23511	-	(167)
	Profit (loss) before taxation	2300	(1181)	(17653)
	Current profit tax	2410	(516)	-
	Including permanent tax liabilities (assets)	2421	(1268)	(7907)
	including:			
	permanent tax liabilities (assets)		(1268)	(7907)
	Changes in deferred tax liabilities	2430	-	-
	Change in deferred tax assets	2450	(516)	(4376)
	including:			
	deferred tax assets		(516)	(4376)
	Other	2460	-	-
	Net profit (loss)	2400	(2213)	(22029)

**Statement of changes in equity
for January-December 2017**

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 property acc. to OKOPF/OKFS

Units of measurement: thousand rubles _____ acc. to OKEI

Codes		
0710003		
31	12	2017
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, 2015	3100	50	-	5200	-	(131004)	(125754)
<u>For 2016</u>							
Capital increase - total:	3210	-	-	-	-	-	-
including: net profit	3211	X	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	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	-	-	-	-	(22029)	(22029)
including: loss	3221	X	X	X	X	(22029)	(22029)
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, 2016	3200	50	-	5200	-	(153033)	(147783)
<u>For 2017</u>							
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	-	-	-	-	(2213)	(2213)
including: loss	3321	X	X	X	X	(2213)	(2213)
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, 2017	3300	50	-	5 200	-	(155246)	(149996)

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

Line item	Code	As of December 31, 2017	Changes in capital for 2016		As of December 31, 2015
			for the account of net profit (loss)	for the account of other factors	
Total capital					
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 20 17

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 property and foreign property acc. to OKOPF/OKFS

Units of measurement: thousand rubles _____ acc. to OKEI

Codes		
0710004		
31	12	2017
83236036		
7728638440		
46.46.1		
12300		34
384		

Line item	Code	For January-December 2017	For January-December 2016
Proceeds from current transactions			
Total proceeds	4110	2 603	236 911
including:			
Sale of products, goods, works and services	4111	-	234 903
Rent payments, license payments, royalties, commission and other similar payments	4112	-	15
Resale of financial investments	4113	-	-
Tax refund and others	4114	2 603	1 993
Other proceeds	4119	-	-
Total payments	4120	(6 890)	(321 452)
including:			
To suppliers (contractors) for raw stuff, materials, works, services	4121	(3 283)	(310 717)
To staff as remuneration	4122	(1 673)	(8 127)
Interest on loan	4123	-	0
Corporate tax	4124	(1 208)	0
	4125	-	0
Other payments	4129	(726)	(2 608)
Balance of cash flow of current transactions	4100	(4 287)	(84 541)
Cash flow of investment transactions			
Total proceeds	4210	-	127
including:			
Sale of non-current assets (except for financial investments)	4211	-	127
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)

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 2017

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, was elected Director on 16.01.2018 in virtue of Resolution of the Founding Member No. 17 dated 16.01.2018.

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 – 50,000.00 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 valid till 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-99-02-005430 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. 4.

Number of employees as at the reported date - 2 persons

Information on detached divisions

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”. In compliance with the Articles of Association of the Company, its main business is a wholesale trade in pharmaceuticals and medical goods. The Company did not trade during 2017.

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

3. Main elements of accounting policy of the Company.

Accounting statements for 2017 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 30.12.2016 No. 18, 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 100 000 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 a; materials 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;
- 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 of 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 didn't carry out business of wholesale trade in drugs in 2017.

The Company incurred costs associated with management expenses amounted to 5 392 thousand rubles, which was classified as operational costs.

In 2017 the other accounting income amounted to 15 126 thousand rubles, other expenses amounted to 10 865 thousand rubles. The income of non-sale transactions amounted to 4 261 thousand rubles.

Within other revenues and expenses, the main part falls to exchange rate differences and income of exchange rate differences amounted to 12 204 thousand rubles, loss of exchange rate differences amounted to 6 988 thousand rubles;

Profit of the exchange rate differences amounted to 5 216 thousand rubles.

Upon the results of the reported year, the loss before taxation for accounting amounted to 1 181 thousand rubles.

The profit in tax accounting amounted to 5 160 thousand rubles due to non - recognition of management costs, which 50% reduced the balance of the loss not carried forward by the end of the year. The current income tax in the amount of 516 thousand rubles was imposed on the rest of amount of 2 580 thousand rubles.

Clearing off of deferred tax assets – 516 thousand rubles. Provisional profit tax loss - 236 thousand rubles Permanent tax asset – 581 thousand rubles. Permanent tax liability -1 849 thousand rubles. Change in deferred tax liabilities – 1 268 thousand rubles.

Net loss in accounting amounted to 2 213 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 2016 and 2017, net of VAT.

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

- for 2016 - 2 335 thousand rubles

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

- for 2017 – 590 thousand rubles.

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

In 2016 the Company received sales proceeds amounted to 123 286 thousand rubles, primary cost of sales was 118 492 thousand rubles, total amount of loss incurred of the main business was 3 667 thousand rubles, management expenses were 11 581 thousand rubles. The loss of sales was 10 454 thousand rubles. The sales proceeds by 100% occurred in the reported period.

In 2016 other income in accounting amounted to 59 878 thousand rubles, other expenses were - 67 020 thousand rubles. Loss of non-sale transactions amounted to 7 142 thousand rubles. The loss decreased by 100% as compared with the previous year.

According to results of 2016 results, the Company incurred a loss in accounts in the amount of 17 653 thousand rubles and decrease of loss before taxation by 93,31% in the reported year.

In 2016 the Company encountered the profit of 21 844 thousand rubles recorded in tax accounting? Which reduced the balance of previous years' loss not carried forward by the end of the year. The decrease of net loss amounted to 89,95% in the reported year.

Information on transactions in foreign exchange

In 2017 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 2017 were caused by revaluation of assets and liabilities in foreign exchange (loan liabilities, cash on currency accounts). The profit of 5 216 thousand rubles was incurred due to exchange rate differences upon the results of 2017.

Exchange rate of the Central Bank of the Russian Federation applied as at the reported date of accounting statements (as at 31.12.2017):

1 USD = 57,6002 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 expenses – 5 392 thousand rubles

- amounts of written-off VAT (amounts of VAT not accepted for refund from the budget) - 581 thousand rubles

- amounts of provision for inventory depreciation (this provision is not created within tax accounting) - 170 thousand rubles

Provisions and estimated liabilities

In 2017, the previous provision for doubtful debts was cleared in accounting in the amount of 4 375 thousand rubles (the buyers repaid the doubtful debt for supplied goods). As at 31.12.2017, the provision for doubtful debts was created in the amount of 288 thousand rubles, provision for vacations – 139 thousand rubles, provision for annual bonus – 79 thousand rubles, provision for current expenses - 198 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 – 97 920 thousand rubles (in foreign exchange in the amount of USD 1 700 000). Maturity of loans falls to April 2018.

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		Accrued depreciation	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 2017	1155	(904)	-	(426)	426	(201)	-	-	729	(679)
	5210	for 2016	2152	(1662)	216	(1213)	1118	(360)	-	-	1155	(904)
Including: Vehicles												
	5201	for 2017	-	-	-	-	-	-	-	-	-	-
	5211	for 2016	1213	(977)	-	(1213)	1118	(141)	-	-	-	-
Machines and equipment (except for office machines and equipment)	5202	for 2017	1098	(847)	-	(369)	369	(201)	-	-	-	-
	5212	for 2016	882	(628)	216	-	-	(219)	-	-	1098	(847)
Office equipment	5203	for 2017	57	(57)	-	(57)	57	-	-	-	-	-
	5213	for 2016	57	(57)	-	-	-	-	-	-	57	(57)
Other fixed assets	5204	for 2017	-	-	-	-	-	-	-	-	-	-
	5214	for 2016	-	-	-	(204)	204	-	-	-	-	-
Total; recognized within income-bearing investments into material valuables	5220	for 2017	-	-	-	-	-	-	-	-	-	-
	5230	for 2016	-	-	-	-	-	-	-	-	-	-
Including:												
	5221	for 2017	-	-	-	-	-	-	-	-	-	-
	5231	for 2016	-	-	-	-	-	-	-	-	-	-

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	retired	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 2017	-	-	-	-	-
				216		(216)	
	5250	for 2016	-	-	-	-	-
Including:							

Monoblock MGM107S, compress-kondens aggregate LH64/2DC-3.2Y+NHB 078E	5241	for 2017	-			
	5251	for 2016	-	216		(216)
	5242	for 2017	-			
	5252	for 2016	-			
	5243	for 2017	-			
	5253	for 2016	-			
	5244	for 2017	-			
	5254	for 2016	-			
	5245	for 2017	-			
	5255	for 2016	-			

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

Line description	Code	for 2017	for 2016
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, 2017	As of December 31, 2016	5
Fixed assets transferred into rent, accounted in balance	5280	-	-	-
Fixed assets transferred into rent, accounted out of balance	5281	-	-	704
Fixed assets received into rent, accounted in balance	5282	-	-	-
Fixed assets received into rent, accounted out of balance	5283	324	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 2017	40	-	108	(115)	-	-	X	33	-
	5420	for 2016	19 231	(7 369)	122 461	(141 652)	18 859	(11 490)	8014	40	-
including:											
Raw stuff, materials and other similar inventories	5401	for 2017	-	-	-	-	-	-	-	-	-
	5421	for 2016	90	-	25	(115)	-	-	-	-	-
Finished products	5402	for 2017	-	-	-	-	-	-	-	-	-
	5422	for 2016	-	-	-	-	-	-	-	-	-
Goods for resale	5403	for 2017	-	-	-	-	-	-	-	-	-
	5423	for 2016	19 003	(7 369)	118 423	(137 426)	18 859	(11 490)	8 014	-	-
Shipped goods and finished products	5404	for 2017	-	-	-	-	-	-	-	-	-
	5424	for 2016	-	-	-	-	-	-	-	-	-
Expenses in production in progress	5405	for 2017	-	-	-	-	-	-	-	-	-
	5425	for 2016	-	-	-	-	-	-	-	-	-
Other inventories and costs	5406	for 2017	-	-	-	-	-	-	-	-	-
	5426	for 2016	-	-	3 667	(3 667)	-	-	-	-	-
Prepaid expenses (for analytic accounts, which are set out in balance within "Inventories")	5407	for 2017	40	-	108	(115)	-	-	-	-	-
	5427	for 2016	138	-	346	(444)	-	-	-	40	-

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			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	Provision recovery			
Total long-term accounts receivable	5501	for 2017	-	-	-	-	-	-	-	-	-	-
	5521	for 2016	-	-	-	-	-	-	-	-	-	-
Including: Settlements with buyers and customers	5502	for 2017	-	-	-	-	-	-	-	-	-	-
	5522	for 2016	-	-	-	-	-	-	-	-	-	-
Issued advances	5503	for 2017	-	-	-	-	-	-	-	-	-	-
	5523	for 2016	-	-	-	-	-	-	-	-	-	-
Other	5504	for 2017	-	-	-	-	-	-	-	-	-	-
	5524	for 2016	-	-	-	-	-	-	-	-	-	-
Total short-term accounts receivable	5505	for 2017	-	-	-	-	-	-	-	-	-	-
	5525	for 2016	-	-	-	-	-	-	-	-	-	-
	5510	for 2017	8044	(4662)	231	-	(7416)	-	4374	698	1557	(288)
Including: Settlements with buyers and customers	5530	for 2016	140 386	(4524)	548	60	(132 950)	-	(138)	-	8 044	(4662)
	5511	for 2017	4518	(4518)	-	-	(4299)	-	4299	-	219	(219)
Issued advances	5531	for 2016	127 373	(4524)	-	-	(122 855)	-	6	-	4 518	(4 518)
	5512	for 2017	690	-	201	-	(450)	-	-	-	441	-
Other	5532	for 2016	615	-	548	-	(473)	-	-	-	690	-
	5513	for 2017	2836	(144)	30	-	(2667)	-	75	698	897	(69)
Total	5533	for 2016	12 398	-	-	60	(9 622)	-	(144)	-	2 836	(144)
	5514	for 2017	-	-	-	-	-	-	-	-	-	-
	5534	for 2016	-	-	-	-	-	-	-	-	-	-
Total	5500	for 2017	8044	(4662)	231	-	(7416)	-	4374	X	1557	(288)
	5520	for 2016	140 386	(4 524)	548	60	(132 950)	-	(138)	X	8 044	(4 662)

3.2. Availability and flow of accounts payable

Line item	Code	Period	Balance as at the beginning of period	Changes for period				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	Repayment	Transfer from long-term to short-term debt	
Total long-term Accounts payable	5551	for 2017	-	-	-	-	-	-
	5571	for 2016	-	-	-	-	-	-
including: credits	5552	for 2017	-	-	-	-	-	-
	5572	for 2016	-	-	-	-	-	-
loans	5553	for 2017	-	-	-	-	-	-
	5573	for 2016	-	-	-	-	-	-
other	5554	for 2017	-	-	-	-	-	-
	5574	for 2016	-	-	-	-	-	-
Total short-term Accounts payable	5560	for 2017	183 898	(10)	40	(5 943)	698	178 683
	5580	for 2016	393 944	-	3	(210 049)	-	183 898
including: settlements with suppliers and contractors	5561	for 2017	53	-	-	(37)	-	16
	5581	for 2016	189 265	-	-	(189 212)	-	53
Received advances	5562	for 2017	-	-	-	-	-	-
	5582	for 2016	-	-	-	-	-	-
Settlements for taxes and levies	5563	for 2017	19	(10)	10	(701)	698	16
	5583	for 2016	56	-	-	(37)	-	19
Credits	5564	for 2017	103 117	-	-	(5197)	-	97 920
	5584	for 2016	123 900	-	-	(20 783)	-	103 117
Interest on loan	5565	for 2017	394	-	30	-	-	424
	5585	for 2016	411	-	-	(17)	-	394
Other	5566	for 2017	80 315	-	-	(8)	-	80 307
	5586	for 2016	80 312	-	3	-	-	80 315
	5567	for 2017	-	-	-	-	-	-
	5587	for 2016	-	-	-	-	-	-
Total	5550	for 2017	183 898	(10)	40	(5 943)	698	178 683
	5570	for 2016	393 944	-	3	(210 049)	X	183 898

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	retired (cleared)		Accrual of interest (including bringing of primary cost to nominal cost)	Current market cost (loss of depreciation)	Primary cost	Accumulated correction
						Primary cost	Accumulated correction				
Long-term investments - total	5301	for 2017	-	-	-	-	-	-	-	-	-
	5311	for 2016	-	-	-	-	-	-	-	-	-
including:											
	5302	for 2017	-	-	-	-	-	-	-	-	-
	5312	for 2016	-	-	-	-	-	-	-	-	-
Short-term investments - total	5305	for 2017	-	-	-	-	-	-	-	-	-
	5315	for 2016	-	-	-	-	-	-	-	-	-
Including:											
	5306	for 2017	-	-	-	-	-	-	-	-	-
	5316	for 2016	-	-	-	-	-	-	-	-	-
Financial investments - TOTAL	5300	for 2017	-	-	-	-	-	-	-	-	-
	5310	for 2016	-	-	-	-	-	-	-	-	-

5. Production costs

Line item	Code	for 2017	for 2016
Tangible costs	5610	-	118 492
Salaries	5620	1 304	6 466
Social security withholdings	5630	379	1 576
Depreciation	5640	201	361
Other costs	5650	3508	6 845
Total by items	5660	5 392	133 740
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	5 392	133 740

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	135	3373	(188)	(2904)	416
including:			183		-	139
Estimated liabilities for payment of paid leave	5701	65		(109)		
Estimated liabilities for payment of annual bonus	5702	42	116	(79)		79
Estimated liabilities for payment of bonus to buyers	5703	-	459	-	(459)	-
Estimated liabilities for actual costs	570	28	2615	-	(2445)	198

7. Security of liabilities

Line description	Code	As of December 31, 2017	As of December 31, 2016	As of December 31, 2015
Total received	5800	-	-	-
including:				
	5801	-	-	-
Total issued	5810	-	-	13
including:				
Security for contracts under the electronic auctions	5811	-	-	13

Total of 30 pages are numbered, stitched and sealed

General Director

Best-Audit JSC /signed/ M.E. Egorov

Seal:

Closed Joint Stock Company

Best – Audit

Moscow

Перевод с русского языка на английский язык выполнил переводчик Ковалев Игорь Николаевич