

Independent Auditor's Report [Translation from Russian original]

To the Shareholder and the Board of Directors
of Biosintez Public Joint Stock Company

Opinion

We have audited the accompanying financial statements of Biosintez Public Joint Stock Company (hereinafter — Biosintez PJSC), which comprise the balance sheet as at 31 December 2022, statement of financial results for the year then ended, supplements to the balance sheet and the statement of financial results, including the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the balance sheet and the statement of financial results for the year ended 31 December 2022, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Biosintez PJSC as at 31 December 2022, its financial performance and its cash flows for the year then ended in accordance with Russian accounting standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the audited entity in accordance with the Rules of Independence of Auditors and Audit Organizations and the Code of Professional Ethics of Auditors, as well as with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Application of Russian Federal Accounting Standards RFAS 6/2020 "Fixed Assets" and RFAS 25/2018 "Accounting for Leases"

Due to the enactment of Russian Federal Accounting Standards RFAS 6/2020 "Fixed Assets" and RFAS 25/2018 "Accounting for Leases", starting from the 2022 financial statements Biosintez PJSC changed its accounting policies for fixed assets and lease contracts. The effects of the changes in accounting policies were reflected by Biosintez PJSC in the 2022 financial statements as a one-off adjustment of the carrying amount of fixed assets as at the end of the preceding period.

As the adoption of the above standards required the application of material judgement by the management of Biosintez PJSC with respect to the assessment of the useful lives of fixed assets, lease terms and the

calculation of the present value of outstanding lease payments and the respective right-of-use asset and due to a significant amount of fixed assets, a material number of lease contracts and a significant degree of judgement, we consider this matter to be a key audit matter.

We checked management's calculation of the adjustments related to the above changes in accounting policies by performing the following main procedures:

- we analysed the changes in accounting policies for fixed assets, evaluated the changes in the accounting and internal control system due to the first-time adoption of RFAS 6/2020 "Fixed Assets" and RFAS 25/2018 "Accounting for Leases";
- we analysed management's key assumptions and judgements in determining the useful lives of fixed assets and lease terms;
- we analysed lease contracts for completeness and compared, on a sample basis, inputs used in the calculations of the carrying amount of lease liabilities and the right-of-use asset with the provisions of the respective lease contracts;
- we compared the calculations of the discount rates applied to determine the present value of future lease payments with our assessment of the key components of the rate calculation;
- we analysed terms and conditions of certain lease contracts selected on a sample basis with respect to unrecognised right-of-use assets and lease liabilities;
- we checked the mathematical accuracy of the calculation and compliance with the effective accounting regulations of the adjustment of the balance sheet data as at 31 December 2021;
- we also checked the accuracy and sufficiency of the respective disclosures in the financial statements.

Information about the changes in accounting policies and the adjustments made due to the application of RFAS 6/2020 "Fixed Assets" and RFAS 25/2018 "Accounting for Leases" is presented in sections 2.3 "Changes and supplements to accounting policies", 3 "Opening and comparative data" and 4.3 "Fixed assets" of the notes to the balance sheet and the statement of financial results for the year ended 31 December 2022.

Other Information

Management is responsible for the other information. The other information comprises the annual report of Biosintez PJSC for 2022 (hereinafter — the other information), but does not include the financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report of Biosintez PJSC for 2022, if we conclude that there are material misstatements therein, we are required to communicate the matter to the audited entity's Board of Directors.

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 entity's internal control.
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with members of the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the members of the Board of Directors of the audited entity with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors of the audited entity we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Engagement partner on the audit
resulting in this independent auditor's report
acting on behalf of the audit firm under power
of attorney dated 04 March 2022 No. 60/22

Ivanova, Anastasia Valeryevna
Audit qualification certificate
No. 06-000527 dated 18 October 2019,
registration number 21606047640

Date of the independent auditor's report: 31 March 2023

Audited entity

Name:

Biosintez Public Joint Stock Company
(Biosintez PJSC).

Address of the legal entity within its location:

4 Druzhby St, Penza, 440033, Russian Federation.

State registration:

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

Auditor

Name:

FBK, LLC

Address of the legal entity within its location:

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

State registration:

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

Primary number of registration entry in the register of auditors and audit organizations of the Self-regulatory organization of auditors Association "Sodruzhestvo" 11506030481.

Balance Sheet
as at **31 December 20 22**

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

Codes		
0710001		
31	12	2022
00480550		
5834001025		
21.20.1		
12247		23
384		

Entity **Biosintez Public Joint Stock Company**
Taxpayer identification number _____
Type of activity **drug manufacturing** OKVED 2
Legal form/property form _____
PJSC/property of foreign legal entities _____
Measurement unit: thousand RUB _____
Location (address) **4 Druzhby St., Penza, 440033**

The financial statements are subject to statutory audit
Name of the audit firm/
Full name of the individual auditor
FBK, LLC
Taxpayer identification number _____
of the audit firm/individual auditor _____
Principal state registration number of the audit firm/individual auditor _____

YES NO

7701017140
1027700058286

Note	Narrative	Code	As at 31 December 20 22	As at 31 December 20 21	As at 31 December 20 20
ASSETS					
I. NON-CURRENT ASSETS					
4.1	Intangible assets	1110	1 146	1 371	1 598
	Research and development results	1120	11 251	18 144	23 165
	including:				
4.2	Research and development results put into operation	1121	11 251	9 224	9 264
4.3	R&D and intangible assets acquisition in progress	1122	0	8 920	13 901
	Intangible exploration assets	1130	0	0	0
	Tangible exploration assets	1140	0	0	0
	Fixed assets	1150	2 133 003	2 226 924	2 167 311
	including:				
4.3	Fixed assets put into operation	1151	2 089 949	2 063 392	2 008 695
4.3	In-progress capital investments in fixed assets	1152	41 955	162 401	158 616
4.20	Right-of-use asset	1153	1 099	1 131	0
	Income-bearing investments in tangible assets	1160	0	0	0
4.4	Financial investments	1170	2 000	2 000	2 000
4.5	Deferred tax assets	1180			19 221
4.6	Other non-current assets	1190	91 297	52 203	39 411
	Total Section I	1100	2 238 697	2 300 642	2 252 706
II. CURRENT ASSETS					
4.7	Inventories	1210	1 420 210	1 081 729	1 065 379
	including:				
	raw materials, consumables and other similar assets	1211	799 475	558 896	676 632
	work in progress costs	1212	58 031	85 863	83 083
	finished products and goods for resale	1213	550 343	428 993	255 697
	other inventories and costs	1214	12 361	7 977	3 679
	non-current assets for sale	1215	0	0	46 288
	Input value-added tax	1220	7 183	10 396	6 311
4.8	Accounts receivable	1230	995 825	1 134 987	889 262
	including:				
	Accounts receivable (expected to be repaid beyond 12 months after the reporting date)	1231	5 369	6 575	682
	Accounts receivable (expected to be repaid within 12 months after the reporting date)	1232	990 456	1 128 412	888 580
	Financial investments (excluding cash equivalents)	1240	0	0	0
4.9	Cash and cash equivalents	1250	109 478	114 256	277 453
4.10	Other current assets	1260	60	42	122
	Total Section II	1200	2 532 756	2 341 410	2 238 527
	BALANCE	1600	4 771 453	4 642 052	4 491 233

	Narrative	Code	As at 31 December 20 22	As at 31 December 20 21	As at 31 December 20 20
LIABILITIES					
III. EQUITY AND RESERVES					
4.11	Share capital	1310	286	286	286
	Own shares buy-back	1320	(0)	(0)	(0)
4.12	Revaluation of non-current assets	1340	0	1 783	286 944
4.12	Additional capital (without revaluation)	1350	1 820 840	0	0
4.13	Reserve capital	1360	14	14	14
4.14	Retained earnings (uncovered loss)	1370	992 335	880 242	165 462
	Total Section III	1300	2 813 475	882 325	452 706
IV. LONG-TERM LIABILITIES					
4.16	Borrowings	1410	1 530 000	2 505 153	2 365 036
4.5	Deferred tax liabilities	1420	39 331	37 832	
	Estimated liabilities	1430	0	0	0
4.20	Other liabilities	1450	1 112	1 122	43 672
	Total Section IV	1400	1 570 443	2 544 107	2 408 708
V. SHORT-TERM LIABILITIES					
4.16	Borrowings	1510	23 938	778 730	1 334 329
4.17	Accounts payable	1520	132 558	308 209	183 286
	including:				
	<i>suppliers and contractors</i>	1521	68 932	180 467	118 049
	<i>payables to company employees</i>	1522	18 166	18 076	17 120
	<i>payables to state non-budgetary funds</i>	1523	12 536	12 130	11 160
	<i>charge and tax payables</i>	1524	30 739	45 919	24 335
	<i>advances received</i>	1525	935	7 227	10 912
	<i>other creditors</i>	1526	1 250	44 390	1 710
	Deferred income	1530	1 634	2 134	2 134
4.19	Estimated liabilities	1540	229 405	126 547	110 070
	Other liabilities	1550	0	0	0
	Total Section V	1500	387 535	1 215 620	1 629 819
	BALANCE	1700	4 771 453	4 642 052	4 491 233

General Director _____ D.V. Boldov
 (signature) (printed name)

T.Y. Tefanova

29 March 20 23

Statement of Financial Results
for the year 20 22

Form on OKUD
Date (day, month, year)

Entity **Biosintez Public Joint Stock Company**

Taxpayer identification number

Type of activity

Drug manufacturing

Legal form/property form

PJSC/property of foreign legal entities

Measurement unit: thousand RUB

OKPO

INN

OKVED2

OKOPF/OKFS

OKEI

Codes		
0710002		
31	12	2022
00480550		
5834001025		
21.20.1		
12247		23
384		

Note	Narrative	Code	for the year <u>20 22</u>	for the year <u>20 21</u>
5.1	Revenue	2110	2 871 688	3 333 077
	<i>including from the sale of own-produced medical products</i>	2111	2 848 673	3 310 211
5.2	Cost of sales	2120	(2 070 583)	(2 163 354)
	<i>including from the sale of own-produced medical products</i>	2121	(2 061 765)	(2 155 060)
	Gross profit (loss)	2100	801 105	1 169 723
5.2	Selling expenses	2210	(104 486)	(97 797)
5.2	Administrative expenses	2220	(377 974)	(314 415)
	Sales profit (loss)	2200	318 645	757 511
	Income from participation in other entities	2310		
	Interest receivable	2320	8 375	2 867
	Interest payable	2330	(194 047)	(154 359)
5.3	Other income	2340	100 954	28 688
5.3	Other expenses	2350	(87 449)	(191 003)
	Profit (loss) before tax	2300	146 478	443 704
5.4	Income tax	2410	(34 385)	(94 967)
	including current income tax	2411	(32 886)	(59 446)
	deferred income tax	2412	(1 499)	(35 521)
	Other	2460	(0)	(0)
	Net profit (loss)	2400	112 093	348 737

Note	Narrative	Code	for the year 20 22	for the year 20 21
	FOR REFERENCE			
	Result of revaluation of non-current assets not included to the net profit (loss) for the period	2510	-	-
	Result of other transactions not included to the net profit (loss) for the period	2520	()	()
	Cumulative financial result for the period	2500	112 093	348 737
5.5	Basic earnings (loss) per share	2900	1	2
5.5	Diluted earnings (loss) per share	2910		1

General Director _____
(signature)

D.V. Boldov _____
(printed name)

Chief Accountant _____
(signature)

T.Y. Tefanova _____
(printed name)

29 March 20 23

Statement of Changes in Equity for 20 22

Entity Biosintez Public Joint Stock Company Form on OKUD 0710004
 Taxpayer identification number _____ Date (day, month, year) 31 12 2022
 Type of activity drug manufacturing OKPO 00480550
 Legal form/property form PJSC/private ownership INN 5834001025
 _____ OKVED 2 21.20.1
 _____ OKOPF/OKFS 12247
 Measurement unit: thousand RUB _____ OKEI 384

Codes	
0710004	
31	12 2022
00480550	
5834001025	
21.20.1	
12247	16
384	

1. Changes in equity

Narrative	Code	Share capital	Own shares buy-back	Additional capital	Reserve capital	Retained earnings (uncovered loss)	Total
Balance as at 31 December 20 20	3100	286	(-)	286 944	14	165 462	452 706
for 20 21							
Increase in equity — total: including:	3210	-	-	-	-	429 619	429 619
net profit	3211	x	x	x	x	348 737	348 737
revaluation of assets	3212	x	x	x	x	-	-
income directly attributable to equity	3213	x	x	x	x	80 882	80 882
additional shares issue	3214	-	-	-	-	x	-
increase in share par value	3215	-	-	-	-	-	-
reorganisation of legal entity	3216	-	-	-	-	-	x

Narrative	Code	Share capital	Own shares buy-back	Additional capital	Reserve capital	Retained earnings (uncovered loss)	Total
Decrease in equity — total:							
including:							
loss	3220	0		0		0	0
revaluation of assets	3221	x	x	x	x	0	0
expenses directly attributable to equity	3222	x	x	0	x	0	0
decrease in share par value	3223	x	x	0	x	-	-
decrease in number of shares	3224	0			x	0	0
reorganisation of legal entity	3225	0			x	0	0
dividends	3226						0
Additional capital change	3227	x	x	x	x	0	0
Reserve capital change	3230	x	x	(285 161)		285 161	x
Sale of own shares	3240	x	x	x			x
Balance as at 31 December 20 21	32451	x		x			0
	3200	286	(-)	1 783	14	880 242	882 325
Increase in equity — total:							
including:							
net profit	3310	-	-	-	-	112 093	1 932 933
revaluation of assets	3311	x	x	x	x		
income directly attributable to equity	3312	x	x		x	112 093	112 093
additional shares issue	3313	x	x	1 820 840	x		1 820 840
increase in share par value	3314				x		
reorganisation of legal entity	3315				x		
Decrease in equity — total:							
including:							
loss	3320	(-)	(-)	(1 783)	(-)	(-)	(1 783)
revaluation of assets	3321	x	x	x	x	(-)	(-)
expenses directly attributable to equity	3322	x	x	(1 783)	x	0	(1 783)
decrease in share par value	3323	x	x	0	x	0	0
decrease in number of shares	3324	0			x		0
reorganisation of legal entity	3325	0			x		0
dividends	3326						0
Additional capital change	3327	x	x	x	x	0	0
Reserve capital change	3330	x	x	0			0
Balance as at 31 December 20 22	3340	x	x	x	0	0	x
	3300	286	(-)	1 820 840	14	992 335	2 813 475

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

Narrative	Code	As at 31 December 20 20	Changes in equity for 20 21		As at 31 December 20 21
			From net profit (loss)	Due to other factors	
Equity — total					
before restatement	3400	452 706	348 737	0	801 443
restatement due to:					
changes in accounting policies	3410			80 882	80 882
correction of accounting errors	3420				
after restatement	3500	452 706	348 737	80 882	882 325
including:					
retained earnings (uncovered loss):					
before restatement	3401	165 462	348 737	15 788	529 987
restatement due to:					
changes in accounting policies	3411			350 255	350 255
correction of accounting errors	3421				
after restatement	3501	165 462	348 737	366 043	880 242
other capital items					
restatements:					
(before restatement	3402	287 244		(15 788)	271 456
restatement due to:					
changes in accounting policies	3412			(269 373)	(269 373)
correction of accounting errors	3422				
after restatement	3502	287 244		(285 161)	2 083

3. Net assets

Narrative	Code	As at 31 December 20 22	As at 31 December 20 21	As at 31 December 20 20
Net assets	3600	2 815 109	884 459	454 840

General Director _____
(signature)

D.V. Boldov _____
(printed name)

Chief Accountant

(signature)

T.Y. Tefanova _____
(printed name)

29 March 20 23

Statement of Cash Flows
for the year 20 22

Codes		
0710005		
31	12	2022
00480550		
5834001025		
21.20.1		
12247		16
384		

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

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

Narrative	Code	for <u> </u> the year <u>20 22</u>	for <u> </u> the year <u>20 21</u>
Cash flows from operating activities			
Receipts – total	4110	3 215 051	3 204 398
including:			
sales of products, goods, works and services	4111	3 133 255	3 155 894
rent payments, licence payments, royalties, commissions and other payments	4112	1 445	1 437
resale of financial investments	4113	0	0
other receipts	4119	80 351	47 067
Payments – total	4120	(3 155 341)	(2 776 698)
including:			
to suppliers for raw materials, works, services	4121	(2 245 302)	(1 904 960)
wages and salaries	4122	(635 970)	(600 155)
interest on borrowings	4123	(123 683)	(165 233)
<i>including interest on borrowings towards related parties (Sun Pharma (Netherlands) B.V.)</i>	41231	(17 879)	(86 848)
<i>including interest on borrowings towards related parties (JSC Ranbaxy)</i>	41232	(101 762)	(34 753)
income tax	4124	(42 590)	(59 631)
other payments	4129	(107 796)	(46 719)
Net cash flows from operating activities	4100	59 710	427 700

Narrative	Code	for the year 20 22	for the year 20 21
Cash flows from investing activities			
Receipts – total	4210	2 083	1 199
including:			
from sales of non-current assets (except for financial investments)	4211	2 083	1 199
from sales of shares of other entities (ownership interest)	4212	0	0
from return of loans issued, sales of debt securities (rights of claiming cash from third parties)	4213	0	0
dividends, interest on debt financial investments and receipts from participation in other entities	4214	0	0
other receipts	4219	0	0
Payments – total	4220	(86 221)	(188 158)
including:			
acquisition, construction, modernisation, reconstruction and preparation for the use of non-current assets	4221	(86 221)	(187 954)
acquisition of other entities shares (ownership interest)	4222	(0)	(0)
acquisition of debt securities (rights of claiming cash from third parties), issue of loans to third parties	4223	(0)	(0)
borrowing costs included in the cost of the investment asset	4224	(0)	(204)
other payments	4229	(0)	(0)
Net cash flows from investing activities	4200	(84 138)	(186 959)
Cash flows from financing activities			
Receipts – total	4310	825 000	3 930 000
including:			
borrowings	4311	825 000	3 930 000
<i>including borrowings from related companies (Sun Pharma (Netherlands) B.V.)</i>	43111	0	0
<i>including borrowings from related companies (JSC Ranbaxy)</i>	43112	575 000	955 000
contributions of owners (members)	4312	0	0
issue of shares, increase in ownership interest	4313	0	0
issue of bonds, promissory notes and other debt securities, etc.	4314	0	0
other receipts	4319	0	0

Narrative	Code	for the year	
		20 22	20 21
Payments – total	4320	(800 000)	(4 334 009)
including:			
to owners (members) due to the fact of share buy-back or cessation of membership	4321	(0)	(0)
dividend payments or other distribution of profit to owners (members)	4322	(0)	(0)
redemption (buy-back) of promissory notes and other debt securities, loan repayment	4323	(800 000)	(4 334 009)
<i>including repayment of loans from related companies (Sun Pharma (Netherlands) B.V.)</i>	4324	(0)	(9 009)
<i>including repayment of loans from related companies (JSC Ranbaxy)</i>	4325	(50 000)	(500 000)
other payments	4329	(0)	(0)
Net cash flows from financing activities	4300	25 000	(404 009)
Net cash flows for the reporting period	4400	572	(163 268)
Cash and cash equivalents at the beginning of the reporting period	4450	114 256	277 453
Cash and cash equivalents at the end of the reporting period	4500	109 478	114 256
Effect of changes in the Russian ruble exchange rate	4490	(5 350)	71

General Director _____
(signature)

D.V. Boldov _____
(printed name)

Chief Accountant _____
(signature)

T.Y. Tefanova _____
(printed name)

29 March 20 23

Biosintez

Public Joint Stock Company

Notes

**to the Balance Sheet and the Statement of Financial Results
for the year ended 31 December 2022**

Penza

Biosintez PJSC
Notes to the Balance Sheet and the Statement of Financial Results
for the year ended 31 December 2022
(in thousand Russian Rubles unless otherwise stated)

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These notes form an integral part of the 2022 financial statements of Biosintez PJSC (the "Company") prepared in accordance with the legislation of the Russian Federation.

1. Basic information

1.1. General information

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

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

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

The Company's average headcount:

As at 31/12/2020	As at 31/12/2021	As at 31/12/2022
1175	1162	1114

1.2. Basic activities

In 2021-2022, the Company was engaged in the following economic activities:

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

The Company operated under the following licences:

No.	Licence/certificate name	Registration number	Date of issue	Expiration	Issuing authority
1.	Licence for drug manufacturing activities (with APPENDIX)	No. 00290-ПС	02/12/2020	for an unlimited term	Ministry of Industry and Trade of the Russian Federation
2.	Licence to circulate narcotics, psychotropic substances and their precursors, and cultivate drug-yielding plants (with APPENDIX 1)	ФС-99-03-000304 Register entry No. П1017-00110- 77/00146676	16/11/2017	for an unlimited term	Federal Service for Supervision of Healthcare
3.	Licence for the use of explosive and chemically hazardous production facilities of hazard categories I, II and III (with APPENDIX 1)	BX-50-014598	29/06/2016	for an unlimited term	Federal Service for Ecological, Technological and Atomic Supervision
4.	Licence for the installation, maintenance and repair of fire safety devices of buildings and structures	58-Б/00007	01/11/2008	for an unlimited term	Ministry of the Russian Federation for Civil Defence, Emergencies and Elimination of

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No.	Licence/certificate name	Registration number	Date of issue	Expiration	Issuing authority
					Consequences of Natural Disasters
5.	Licence for medical activities (with Appendix 1)	No. ЛО-58-01-001631	16/09/2015	for an unlimited term	Ministry of Healthcare of the Penza Region
6.	Licence for the use of infectious agents (unless this activity is performed for medical purposes) and genetically modified organisms of potential hazard grades 3-4 in closed systems	No. 58.02.02.001.Л.000 001.02.17	21/02/2017	for an unlimited term	Office of the Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing for the Penza Region

1.3. Branches and representative offices

Biosintez PJSC has no branches or representative offices.

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

The share capital of the Company, according to the Articles of Association, makes up RUB 286,283 as at 31/12/2022.

The Company's share capital is divided into:

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

The Company's shareholders (members) as at 31/12/2022:

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

The Company's shareholders (members) as at 31/12/2021:

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

The Company's shareholders (members) as at 31/12/2020:

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

1.5. Governance bodies

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

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

The Board of Directors consists of 5 persons as at 31 December 2022:

No.	Full name	Position
1	Arvind Abrol	Director of the Department, Finance Division, at JSC Ranbaxy
2	Arun Kumar Rajput	Director of the Department, Business Development and Analytics Division, at JSC Ranbaxy
3	Viswanathan Sethuraman	Financial Controller, Emerging Markets, Sun Pharmaceutical Industries Limited
4	Alexander Voloshinov	Senior Lawyer at JSC Ranbaxy
5	Sergey Lepetan	Head of the Legal Division at JSC Ranbaxy

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

Dmitry Boldov is the General Director of the Company.

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

1.6. Information about the management bodies

The internal audit policy of Biosintez PJSC was approved by a decision of the Company's Board of Directors dated 24 June 2020. Lyudmila Manuilova was appointed as the Head of Internal Audit by a decision of the Company's Board of Directors dated 20 February 2021.

1.7. Information about the registrar and the auditor

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

Regional branch in Penza: 47 Volodarskogo St., Penza

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

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

1.8. Subsidiaries and associates

Biosintez PJSC has no subsidiaries or associates.

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2. Basis of presentation

2.1. Basis of presentation

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

The Company's accounting practices are conducted in compliance with the requirements of Russian Federal Law "On Accounting" No. 402-FZ dated 06 December 2013, and the underlying Russian federal accounting standards; Russian accounting regulations approved by the orders of the Russian Ministry of Finance.

The accounting policies for 2022 were approved by the General Director's order No. 2361 dated 30 December 2021.

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

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

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

2.2. Correction of errors in accounting records and financial statements

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

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

Identified errors and their implications are subject to mandatory correction.

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

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

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

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should be replaced with the financial statements in which the revealed significant error is corrected (the restated financial statements).

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

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

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

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

The influence of corrected errors on the numerical indicators in the financial statements is shown in Section 4 of these Notes.

2.3. Changes and supplements to accounting policies

The Company makes changes to its accounting policies in the following cases:

- changes of requirements established by the accounting legislation of the Russian Federation, federal and/or industry-specific standards;
- development or selection of a new accounting approach whose application enhances the reliability (quality) of information about an accounting item;
- significant changes in business environment.

The effect of changes in the accounting policies due to the application of RFAS 05/2019 "Inventories" is recorded prospectively (only with respect to events that occurred after the Company started applying the standard without changes in earlier recorded accounting data) from 1 January 2021.

The accounting policies for 2022 were amended as compared to 2021 as follows:

The Company applies RFAS 6/2020 starting from the financial statements for 2022.

- For the purpose of the transition to RFAS 6/2020 the Company uses an alternative approach to reflect the effect of the change in the accounting policies, which allows the Company in the financial statements starting from which it applies RFAS 6/2020 not to restate comparative figures for the periods preceding the reporting one by making a one-off adjustment of the carrying amount of fixed assets as at the beginning of the reporting period.
- For the purposes of that adjustment, the carrying amount of fixed assets is their historical cost (after revaluations) recognised before the first-time adoption of RFAS 6/2020 under the accounting policies applied earlier, less any accumulated depreciation. Accumulated depreciation is calculated based on the historical cost mentioned above, the residual value and the ratio of the useful life passed and remaining.
- The adjustment of the carrying amount of fixed assets was made through retained earnings and reflected in the Balance Sheet as at 31 December 2021.

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Fixed assets	Historical cost (write-off -)	Accumulated depreciation (write-off +/accrual -)
Written off fixed assets with the historical cost below the limit (up to RUB 100 thousand)	-98,804	+87,619
Adjusted accumulated depreciation for the other fixed assets (including those with zero cost)	X	+113,599

Impairment of fixed assets accumulated as at 31 December 2021 is reflected in the financial statements for 2022 prospectively.

The adjustment of accumulated impairment of fixed assets reflected in the financial statements as at 31 December 2022:

	Amount
<i>Accumulated impairment (prospectively), total:</i>	5015
<i>including within other expenses</i>	3,232
<i>against revaluation of prior periods (additional capital)</i>	1,783
Accumulated impairment of fixed assets as at 31 December 2022 (with transactions for 2022)	1,106

The Company applies RFAS 26/2020 starting from the financial statements for 2022.

- The effect of the change in the accounting policies due to the first-time adoption of RFAS 26/2020 is reported prospectively.

The Company applies RFAS 25/2018 starting from the financial statements for 2022.

- Starting from the 2022 financial statements, the Company applies RFAS 25/2018 "Accounting for Leases" to recognise assets, liabilities, business events as a result of the receipt/transfer of leased assets for temporary use under lease contracts and to disclose information about the assets in financial statements.
- The Company does not apply retrospective restatement of financial statements.
- The effects of the changes in the accounting policies due to the first-time adoption of this Standard were recognised by the Company at once in the financial statements for 2022 as at 31 December 2021 as a right-of-use asset and a lease liability with the difference being charged to retained earnings.
- When recording transactions, a right-of-use asset and a lease liability are considered to be equal to the present value of outstanding lease payments. The average borrowing rate as at 1 January 2022 is used for discounting.
- In the financial statements for 2022, comparative figures as at 31 December 2021 of the Balance Sheet will be reflected as adjusted due to the application of this standard. Comparative figures for 2021 presented in the Statement of Financial Results are not restated.

2.4. Accounting system and accounting procedures

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

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

2.5. Stocktaking of assets and liabilities

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

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Stocktaking of fixed assets is carried out once in three years under the Company's Accounting Policies. The previous stocktaking of fixed assets was carried out in 2022.

2.6. Accounting for assets and liabilities denominated in foreign currencies

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

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

Currency	Exchange rate as at 31/12/2022	Exchange rate as at 31/12/2021	Exchange rate as at 31/12/2020
USD	70.3375	74.2926	73.8757
EUR	75.6553	84.0695	90.6824

2.7. Intangible assets

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

Measurement

Intangible assets are recognised at:

- actual acquisition costs and the costs of making such assets suitable for use;
- actual costs of producing an intangible asset by the Company using its own resources;
- current market value when an intangible asset is received under a gift agreement;
- cost of assets given as a payment for acquisition of an intangible asset under an agreement where liabilities are paid in a non-cash form.

No revaluation of intangible assets was made in 2021 and 2022.

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

Intangible assets with an indefinite useful life are not amortised. For those intangible assets, the entity considers whether there are any factors showing inability to reliably determine the useful life of such asset. If such factors cease to exist, the entity revises the useful life of such intangible asset and the amortisation method used. The respective adjustments, if any, are recognised in accounting records and financial statements as changes in accounting estimates.

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

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

Amortisation

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

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

Annual amortisation charge is calculated based on the actual (historical) cost on a straight-line basis over the useful life of the asset.

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

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

The useful lives of intangible assets are determined and revised by the Commission based on an appendix to the accounting policies.

Information of useful lives by groups of intangible assets:

Groups of intangible assets	Useful lives of intangible assets (number of years)
Patents	18
Trademark (service mark)	8-10

2.8. Research and development results

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

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

Expenses for each scientific work are written off on a straight-line basis. The Company independently determines the period over which R&D expenses are written off based on the expected period of use of the R&D results during which the Company can enjoy economic benefits (income), but no more than 5 years.

2.9. Fixed assets

An asset is recognised as a fixed asset (when all of the conditions in clause 4 of RFAS 6/2020 are met) when it has been made ready for use.

Real estate items subject to state registration are recognised as fixed assets irrespective of the date of commencement and finalisation of state registration.

Fixed assets also include the entity's material costs of repairs, technical inspection and technical maintenance of fixed assets conducted less frequently than once in 12 months that cost more than RUB 500 thousand.

Assets that meet the criteria for recognition as fixed assets but cost no more than RUB 100 thousand per unit are reflected within inventories in the Balance Sheet and later expensed when put into operation.

Fixed assets, other than investment property, and capital investments in them are reflected within fixed assets in the Balance Sheet.

Measurement of fixed assets at recognition

Fixed assets are recognised at historical cost.

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The historical cost of fixed assets acquired under contracts that provide for the fulfilment of liabilities (payment) with non-monetary assets in whole or in part is the fair value of the property, property rights, works or services transferred.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The entity tests fixed assets and capital investments in them for impairment and recognises changes in their carrying amount as a result of impairment as required by IAS 36 Impairment of Assets.

Depreciation of fixed assets

Depreciation of fixed assets whose useful life is the period over which their use will bring economic benefits to the entity is accrued using the straight-line method.

Straight-line depreciation means that the same amount of depreciation is deducted from the value of an asset over the useful life of the asset. Depreciation for the reporting period is the ratio of the difference between the carrying amount and the residual value of the asset to the remaining useful life.

Depreciation of a fixed asset starts from the first day of the month following the month of its recognition and stops from the first day of the month following the month of its derecognition.

Depreciation elements should be checked against the asset's terms of use.

They are checked at the end of each reporting year and in case of circumstances that indicate a possible change in depreciation elements of the fixed asset. The related adjustments are recognised in accounting records prospectively.

As a result of stocktaking of fixed assets conducted in the reporting year, there was an increase in the residual value of 26 assets and in the useful life of 28 assets.

Fixed assets whose consumer properties do not change over time are not depreciated (e.g. land).

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

Group of fixed assets	Useful lives (number of years) of assets recognised	
	before 01/01/2022	after 01/01/2022
Buildings	15-83	16-88
Structures	7-20	2-88
Transfer devices	5-20	2-88
Machinery and equipment	1-30	3-67
Transport vehicles	4-10	10-36
Production and maintenance tools	3-25	5-35

The financial result from disposal of fixed assets (gains less losses from disposal) is reflected in the Statement of Financial Results within other income or other expenses on a net basis.

2.10. In-progress investments in non-current assets

In-progress investments in non-current assets include real estate items whose construction has not been completed and that have not been put into operation, equipment that requires assembly, and other assets to be recognised as fixed assets and intangible assets, including tangible assets intended to be used to acquire, create, improve and/or reconstruct fixed assets.

Capital investments in fixed assets include the Company's costs incurred to acquire, create, improve and/or reconstruct them (completion, additional equipment, modernisation, reconstruction, replacement of components, material costs of repairs, technical inspection and technical maintenance conducted less frequently than once in 12 months or once in a normal operating cycle exceeding 12 months of over RUB 500 thousand).

Equipment that does not require assembly, is located in the warehouse and intended for assets under construction is reflected within in-progress capital investments.

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The Company tests capital investments in fixed assets for impairment and recognises changes in their carrying amount as a result of impairment as required by IAS 36 Impairment of Assets: capital investments are tested for impairment whenever events or changes in circumstances indicate that their carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Impairment of capital investments recorded in prior periods is analysed for possible reversal as at each reporting date.

Impairment of capital investments is charged to other expenses.

In the Balance Sheet in-progress investments in non-current assets are reflected within fixed assets in line 1152 "In-progress capital investments in fixed assets".

2.11. Financial investments

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

For example, under article 9 clause 3 of Russian Accounting Regulation "Statement of Cash Flows" (RAR 23/2011) approved by Order of the Russian Ministry of Finance No. 11n dated 2 February 2011, short-term deposits are cash flows on financial investments acquired to be resold in the short term (as a rule, within three months) and are reported in the Company's Balance Sheet in line 1250 "Cash and cash equivalents".

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

The Company excludes from financial investments:

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

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

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

Financial investments for which as at the reporting date there are conditions for a steady significant decline in value are reflected in the Balance Sheet as at the end of the reporting year at their book (carrying) amount less provision for impairment of financial investments. Provision for impairment of financial investments is established once a year following an impairment test as at 31 December of the reporting year. When deciding whether to establish a provision for impairment of financial investments, the Company assesses not only the current situation, but also possible future economic benefits from further ownership of such financial investment.

Data from the financial statements of the counterparty are used to check financial investments for a steady decline in value.

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2.12. Inventories

Since 2021, inventories have been accounted for in accordance with Russian Federal Accounting Standard RFAS 5/2019 "Inventories" approved by Order No. 180n dated 15 November 2019 of the Russian Ministry of Finance.

For accounting purposes, inventories are assets consumed or sold during a normal operating cycle or used within a period not exceeding 12 months.

The Company classifies the following assets as inventories:

- materials intended to be used in production, performance of works or provision of services;
- goods purchased for sale in the ordinary course of business;
- goods shipped;
- finished products,
- production in progress, including semi-finished products manufactured in-house.

An inventory accounting unit is selected by the Company to ensure generation of complete and reliable accounting information about inventories, as well as appropriate control over their presence and movement.

Depending on the type of inventories, the nature and procedure of its acquisition (creation) and/or consumption (sale, use), the Company selects an inventory accounting unit: a batch with additional features, such as series etc.

Different inventories may have different accounting units.

Measurement of inventories at recognition (except for work in progress and finished products)

Inventories are accounted for at their actual cost. Actual cost comprises actual costs incurred to acquire (create) inventories, make them ready for, and delivery to the place of, consumption, sale or use. Actual cost also comprises estimated liabilities in dismantling, removing and restoring the environment.

Amounts paid and/or payable by the company when acquiring (creating) inventories are included in the actual cost of inventories:

- a) net of refundable taxes and levies;
- b) with all discounts, concessions, deductions, premiums and benefits provided to the company, irrespective of their form.

When inventories are acquired under contracts that provide for full or partial fulfilment of obligations (payment) with non-monetary assets, the costs included in the actual cost of inventories (for payment with non-monetary assets) are the fair value of the transferred property, property rights, works or services.

When it is impossible to determine the fair value of the transferred property, property rights, works or services, the cost of the acquired inventories is recognised to be their fair value.

When it is impossible to determine neither this nor that fair value, the cost of inventories is the carrying amount of the transferred assets or actual costs incurred to perform works or provide services.

The actual cost of inventories received at disposal, including partial disposal, of fixed assets and other non-current assets or extracted during their current maintenance, repair, modernisation, reconstruction and other similar actions is the lower of the following amounts:

- a) the cost used to account for similar inventories acquired (created) by the company during a normal operating cycle;
- b) the carrying amount of written off assets and costs incurred to disassembly and dismantle assets, extract tangible assets and make them ready for consumption (sale, use) as inventories.

Inventories owned by the company that are in transit or have been transferred to the buyer as a pledge are measured in the amount indicated in the contract with subsequent determination of their actual cost.

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Costs included in the actual cost of inventories received free of charge are the fair value of these inventories.

Subsequent measurement of inventories

Inventories are measured at the reporting date at the lower of the following amounts:

- a) actual cost of the inventories;
- b) net realisable value of inventories (NRV)

Inventories measured at recognition at fair value are measured at the reporting date at fair value as well.

The excess of the actual cost of inventories over their NRV is treated as impairment, which requires a provision for impairment of inventories.

Impairment of inventories is recognised in expenses in the period in which the respective impairment provision was established (increased) and recorded on account 90 according to analytical features.

In case of disposal of the inventories for which a provision for impairment was earlier established, the provision is to be reversed. The reversed amount decreases expenses according to the same analytical features as were used for provision recognition.

Provisions for impairment of inventories are established in the amount of 100% of the value as frequently as indicated in clause 2.19 hereof.

Measurement of inventories when written off and issued to production

When issued to production, shipped to the customer or written off, inventories are measured at unit cost.

Inventories are written off:

- when revenue from their sale is recognised;
- when they are disposed in cases other than sale;
- in case of circumstances that make the entity believe that it will not receive economic benefits from the consumption (sale, use) of inventories in the future.

Transactions that change the type of inventories are not the basis for derecognition of inventories:

- issue of inventories to production;
- products release;
- shipment of finished products, goods to the buyer before revenue recognition.

2.13. Work in progress and finished products

Since 1 January 2021 the Company has accounted for inventories in accordance with RFAS 5/2019 approved by order of the Russian Ministry of Finance No. 180n dated 15 November 2019.

Work in progress includes costs incurred to manufacture products that have not gone through all stages (phases) prescribed by the technological process, uncompleted goods that have not gone through testing and technical acceptance and costs incurred to perform works or provide services to other persons until sales revenue is recognised.

Finished products include assets completed with processing, outputs of the production cycle with technical and qualitative characteristics compliant with the terms and conditions of the contract or requirements of other documents to the extent determined under applicable law that are intended for sale in the ordinary course of business.

Work in progress and finished products are measured at actual cost (the sum of direct and indirect costs). Overhead expenses are written off to losses of the period.

On a quarterly basis, the Company analyses finished products for information about a significantly lower price for the same type in the market. If a decline in the value of work in progress indicates that the cost of

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finished products (works, services) exceeds the sale price less costs of sale, the assets are written down to their net realisable value (clause 29 of RAR 5/2018, para. 32 of IAS 2).

2.14. Settlements with debtors and creditors

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

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

Receivables and payables are classified as short-term or long-term based on the terms of existing contracts, usual business practice and intentions of the Company. Long-term accounts receivable (payable) (or their portion) are reclassified into short-term accounts if as at the reporting date the maturity of the accounts receivable (payable) (or their portion) is no more than 12 months after the reporting date.

Long-term accounts receivable are reflected separately within accounts receivable as part of current assets in the Balance Sheet.

Advances paid to suppliers and contractors related to capital construction, suppliers of fixed assets irrespective of their maturity are reflected within in-progress capital investments as part of fixed assets in the Balance Sheet.

Advances paid are reflected in the Balance Sheet within accounts receivable in the gross amount with VAT.

Advances received are reflected in the Balance Sheet within accounts payable less VAT.

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

Uncollectible debts are written off the balance sheet when recognised as such.

2.15. Additional capital

The additional capital includes:

- increase in the cost of non-current assets identified as a result of their revaluation;
- paid-in capital;
- the shareholder's contributions to the company's assets;
- other changes in capital as a result of transactions with the shareholder acting as the shareholder in these transactions (as required by IFRS).

According to the 2022 accounting policies, the Company accounts for fixed assets at historical cost (after revaluations) recognised before the first-time adoption of RFAS 6/2020. An increase in the value of fixed assets for the previous reporting periods before 1999, which is in essence the indexation of the monetary value of fixed assets under Resolutions of the Government, is charged to retained earnings at once:

	As at 31/12/2021
Revaluation of non-current assets (additional capital)	269,373

2.16. Loans and borrowings

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

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

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

Additional borrowing costs are recognised as other expenses when incurred in the amount of payments due under concluded contracts.

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

Interest on loans are recognised as other expenses, except for such its portion which is to be included in the cost of an investment asset, unless otherwise set forth herein.

2.17. Special-purposes financing and government assistance

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

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

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

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

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

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

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

Income related to special-purpose financing is classified as other income.

The balance of deferred income recognised as a result of the receipt of special-purpose funds is reported in the Balance Sheet within short-term liabilities as deferred income.

2.18. Estimated liabilities, contingent liabilities and contingent assets.

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

- provision for vacation payments (including social insurance and social security payments);
- provision for retirement of fixed assets;

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- provision for scheduled settlements with contractors;
- provision for discounts, bonuses and credit notes to customers.

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

Information about estimated liabilities, contingent liabilities and contingent assets in financial statements is reported in compliance with Russian Accounting Regulation "Estimated Liabilities, Contingent Liabilities" (RAR 8/2012\0) approved by Order No. 167n dated 13 December 2010 of the Ministry of Finance of the Russian Federation.

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

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

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

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

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

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

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

- a) the entity has a liability as a result of past events which fulfilment the entity cannot avoid. In case the entity has doubts as to the existence of such liability, it recognises an estimated liability provided that based on the analysis of all circumstances and conditions, including expert opinions, it is more likely than not that the liability exists;
- b) economic benefits are likely to decrease as a result of the estimated liability fulfilment;
- c) the value of the estimated liability can be reliably measured.

2.19. Provisions

The Company sets up the following provisions:

- for doubtful accounts receivable;
- for impairment of financial investments;
- for impairment of fixed assets and capital investments;
- for impairment of non-current assets for sale;
- for impairment of inventories;
- for impairment of intangible assets.

Provision for doubtful accounts receivable decreases the amount of accounts receivable from the current assets section of the Balance Sheet, while provision for identified doubtful advances paid to

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suppliers and contractors to create non-current assets decreases the carrying amount of non-current assets.

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

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

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

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

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

- shelf life expiration;
- rejection due to low quality;
- the remaining shelf life of 6 months or less;
- no movement over the period specified;
- a decrease in the net realisable value of inventories below the actual cost.

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

Provisions for impairment of fixed assets and intangible assets decrease the carrying amount of fixed assets. If other usage conditions arise or the asset is disposed (dismantled), the respective part of the provision is charged to other income of the current reporting period.

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

2.20. Accounting for leases

Fixed assets received in lease and classified as leased assets under RFAS 25/2018 are treated on account 01/10 "Right-of-use asset".

In the Balance Sheet they are reflected in a separate line within fixed assets. Fixed assets received in lease that do not meet the recognition criteria under RFAS 25/2018 are treated on an off-balance sheet account "Leased fixed assets" at cadastral value.

The lease term is calculated based on the terms and conditions stipulated in the lease contract.

The right-of-use asset is recognised at the present value of outstanding lease payments.

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The lessee's costs for temporary and permanent improvements of the leased asset that are not reimbursed by the lessor do not increase the value of the right-of-use asset and are recognised as separate assets in accordance with RFAS 26/2020, RFAS 6/2020 or expensed as required by RAR 10/99. A lease liability is initially measured at the present value of the future lease payments at the measurement date.

The present value of the future lease payments is calculated by discounting their nominal values. The Company's average actual borrowing rate as at 01 January 2022 is used for discounting.

The discount rate for new leases concluded after 01 January 2022 is calculated again, if necessary.

The Company does not recognise the leased asset as a right-of-use asset and a lease liability in the following cases:

- short-term leases (for less than 12 months);
- low-value leases – in particular, the market value of the leased asset without depreciation (i.e. the value of a similar new asset) does not exceed RUB 300 thousand.
- other specific leases (leases of land from which the lessee cannot obtain economic benefits).

The right-of-use asset is depreciated on a straight-line basis according to the procedure adopted for fixed assets subject to the provisions of RFAS 25/2018. Right-of-use assets whose consumer properties do not change over time (land etc.) are depreciated over the lease term.

Interest on the lease liability is accrued on a monthly basis.

If the entity acts as the lessor,

Lease income and expenses are recognised by the lessor in other income.

Operating lease income is recognised on a straight-line basis.

2.21. Non-current assets held for sale

Non-current assets for sale are accounted for in compliance with Russian Accounting Regulation "Information on Discontinued Operations" (RAR 16/02) approved by order No. 66n dated 02 July 2002 of the Ministry of Finance of the Russian Federation.

Non-current assets for sale include:

- fixed assets or other non-current assets (except for financial investments) whose use was discontinued due to the decision to sell and there is a confirmation that the use will not be resumed. The confirmation is the respective decision made by the entity's management, actions to prepare the asset for sale, a sale contract etc.;
- held-for-sale tangible assets left from disposal, including partial disposal, of non-current assets or retrieved in the process of their maintenance, repair, modernisation, reconstruction, except when the assets are classified as inventories (recognised as materials, spare parts or other types of inventories held for further use by the entity to produce goods, perform works and provide services).

Assets that are not used temporarily are not non-current assets for sale.

As at the current date when all of the recognition criteria for non-current assets for sale are met, the asset is reclassified to non-current assets for sale.

A non-current asset for sale is measured at the carrying amount of the respective fixed asset or another non-current asset whose use was discontinued due to the decision to sell when it is reclassified to non-current assets for sale.

In case of a decline in the value of a non-current asset for sale as at the end of the reporting period, a provision for impairment is established. If at the end of the following reporting period there is a further decline in the value of the non-current asset for sale, the provision is increased by the respective amount.

If the value has increased, the provision is reduced (information message of the Russian Ministry of Finance No. ИС-учет-19 dated 09 July 2019). As a result, non-current assets held for sale are reflected in the Balance Sheet at the amount that does not exceed the market value of the assets.

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In financial statements non-current assets for sale are reflected within current assets separately from other assets as non-current assets for sale as part of inventories.

2.22. Inventories accepted for custody

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

2.23. Written-off debt of insolvent debtors

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

2.24. Collateral and surety received and given in security for liabilities and payments

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

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

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

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

2.25. Income recognition

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

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

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

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

Income from ordinary activities includes:

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

Other income includes:

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

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

The following other income and related other expenses are reflected in the Statement of Financial Results on a net basis:

- exchange gains and losses;
- income and expenses from the sale of other assets;
- other income from the provision of property for lease and related other expenses;
- other income and expenses related to the increase and decrease of provisions of one type (for impairment of financial investments, impairment of non-current assets, bad debt provisions);
- income and expenses related to the purchase and sale of foreign currency;
- tare income and expenses;
- social income and expenses;
- bank services.

2.26. Expense recognition

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

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

- expenses for ordinary activities;
- other expenses.

Expenses for ordinary activities include expenses connected to income from ordinary activities listed in clause 2.25 hereof.

Other expenses include expenses related to other income listed in clause 2.25 hereof.

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

Direct costs are costs that directly relate to the production of a specific type of goods, works, services. Indirect costs are costs that cannot be directly attributed to the production of a specific type of goods, works, services.

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Direct costs comprise:

- expenses for raw materials and consumables consumed in production;
- transportation and procurement costs;
- payroll of employees directly involved in production, allocations to the provision for vacation pay and accrued insurance contributions;
- electricity expenses (related to production);
- expenses for raw materials sample collection for incoming quality control;
- expenses for marking of pharmaceuticals.

General production expenses of main production are charged to the cost of a specific product pro rata the amount of direct expenses of main production except for raw materials (payroll of main production workers, allocations, electricity costs for production needs and other). General production expenses of auxiliary production are charged to the cost of a specific product or service pro rata the amount of payroll expenses for main production workers of the auxiliary department.

Production costs comprise:

- overhead costs that arise, as a rule, due to spoilage, idle time etc.;
- extraordinary expenses;
- administrative expenses (except for those directly related to production);
- storage expenses (except for those that are part of the technology);
- advertising and promotion expenses;
- impairment of other assets irrespective of whether the assets were used to produce goods, perform works, provide services;
- other expenses not related to production (clause 26 of RFAS 5/2019).

Administrative expenses are treated on sub-accounts to account 26 "General business expenses" and reflected in line 2220 "Administrative expenses" of the Statement of Financial Results.

Selling expenses are treated on account 44 "Sales expenses" and reflected in line 2030 "Selling expenses" of the Statement of Financial Results.

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

2.27. Earnings per share

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

2.28. Related parties

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

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

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

2.29. Segment information

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

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

2.30. Subsequent events

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

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

3. Opening and comparative data

In these financial statements the data for the previous periods were restated as follows due to the first-time adoption of RFAS 6/2020 and RFAS 25/2020.

Balance Sheet as at 31 December 2021:

B/S item	Code	As at 31/12/2021 in the financial statements for the previous year	Restated figure as at 31/12/2021 in the current financial statements	Restatement amount	Reason for restatement
<i>Fixed assets</i>	1150	2,123,379	2,226,924	+103,545	
<i>Fixed assets put into operation</i>	1151	1,960,978	2,063,392	+102,414	RFAS 6/2020
<i>right-of-use asset</i>	1153	0	1,131	+1,131	RFAS 25/2018
Total assets	1600	4,538,507	4,642,052	+103,545	
Revaluation of non-current assets	1340	271,156	1,783	-269,373	RFAS 6/2020

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Retained earnings (uncovered loss)	1370	529,987	880,242	+350,255	RFAS 6/2020
Deferred tax liabilities	1420	16,300	37,832	+21,532	RFAS 6/2020
Other liabilities	1450	0	1,122	+1,122	RFAS 25/2018
Accounts payable	1520	308,200	308,209	+9	RFAS 25/2018
other creditors	1526	44,381	44,390	+9	RFAS 25/2018
<i>Total liabilities</i>	1700	4,538,507	4,642,052	+103,545	

Statement of Financial Results for 2021:

B/S item	Code	For 2021 in the financial statements for the previous year	Restated figure for 2021 in the current financial statements	Restatement amount	Reason for restatement
Revenue	2110	3,334,507	3,333,077	-1,430	Making property lease transactions for 2021 carried out as the lessor comparable with the year 2022 due to changes in accounting policies
Cost of sales	2120	-2,163,859	-2,163,354	-505	
Other income	2340	27,763	28,688	+925	

4. Notes to significant items of the Balance Sheet

4.1. Intangible assets

Information about the availability and movement of intangible assets for 2021-2022 is presented in the tables below.

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Movement of intangible assets for 2022

Narrative	Code	As at 31/12/2021				Changes for the period						As at 31/12/2022		
		Historical cost	Accumulated amortisation and impairment losses	Net book value	Added	Disposed		Amortisation accrued	Impairment loss	Revaluation		Historical cost	Accumulated amortisation and impairment losses	Net book value
						Historical cost	Accumulated amortisation			Historical cost	Accumulated amortisation			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Intangible assets - TOTAL including	1110	5,318	(3,947)	1,371		(1,067)	1,067	(225)				4,251	(3,105)	1,146
Patents	1111	3,262	(2,104)	1,158		(1,067)	1,067	(174)				2,195	(1,211)	984
Trademark and service mark	1112	2,056	(1,843)	213				(51)				2,056	(1,894)	162

Movement of intangible assets for 2021

Narrative	Code	As at 31/12/2020				Changes for the period						As at 31/12/2021		
		Historical cost	Accumulated amortisation and impairment losses	Net book value	Added	Disposed		Amortisation accrued	Impairment loss	Revaluation		Historical cost	Accumulated amortisation and impairment losses	Net book value
						Historical cost	Accumulated amortisation			Historical cost	Accumulated amortisation			
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Intangible assets - TOTAL including	1110	5,354	(3,756)	1,598	106	(142)	70	(261)				5,318	(3,947)	1,371
Patents	1111	3,404	(1,980)	1,424		(142)	70	(194)				3,262	(2,104)	1,158
Trademark and service mark	1112	1,950	(1,776)	174	106			(67)				2,056	(1,843)	213

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Information about useful lives and amortisation methods:

Narrative	As at 31 December 2022		As at 31 December 2021		As at 31 December 2020	
	useful life (in months)	amortisation method	useful life (in months)	amortisation method	useful life (in months)	amortisation method
1	2	3	4	5	6	7
Patents	216	straight-line	119-226	straight-line	97-226	straight-line
Trademark and service mark	96-120	straight-line	100-122	straight-line	100-122	straight-line

4.2. Research and development results

Information about the availability and movement of scientific and research, design and experimental and technological expenses for 2021-2022 is presented in the below tables.

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Availability and movement of R&D expenses for 2022

Narrative	Code	At the beginning of the year			Changes for the period					At the end of the period		
		Historical cost	Part of the cost recognised in expenses	Net book value	Added	Disposed		Part of the cost recognised in expenses for ordinary activities	Part of the cost recognised in other expenses	Historical cost	Part of the cost recognised in expenses	Net book value
						Historical cost	Part of the cost recognised in expenses					
R&D - total	1121	15,993	(6,769)	9,224	8,920	(1,341)	1,341	(6,893)		23,572	(12,321)	11,251
including:												
Manufacturing technologies for new pharmaceuticals	11211	15,993	(6,769)	9,224	8,920	(1,341)	1,341	(6,893)		23,572	(12,321)	11,251

Availability and movement of R&D expenses for 2021

Narrative	Code	At the beginning of the year			Changes for the period					At the end of the period		
		Historical cost	Part of the cost recognised in expenses	Net book value	Added	Disposed		Part of the cost recognised in expenses for ordinary activities	Part of the cost recognised in other expenses	Historical cost	Part of the cost recognised in expenses	Net book value
						Historical cost	Part of the cost recognised in expenses					
R&D - total	1121	16,571	(7,307)	9,264	5,554	(6,132)	6,132	(5,594)		15,993	(6,769)	9,224
including:												
Manufacturing technologies for new pharmaceuticals	11211	16,571	(7,307)	9,264	5,554	(6,132)	6,132	(5,594)		15,993	(6,769)	9,224

4.3. Fixed assets

Information about the net book value of fixed assets is shown in the Company's Balance Sheet in line 1151 "Fixed assets put into operation".

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Availability and movement of fixed assets for 2022

Narrative	Code	At the beginning of the year		Changes for the period			At the end of the period		
		Historical cost	Accumulated depreciation and impairment	Added	Disposed		Depreciation and impairment accrued	Historical	Accumulated depreciation and impairment
					Historical cost	Accumulated depreciation			
Fixed assets (excluding income-bearing investments in tangible assets) - total	1151	3,581,618	(1,518,226)	211,697	(105,587)	103,707	(183,260)	3,687,728	(1,597,779)
including:									
Buildings	11511	1,642,048	(529,345)	69,562	(13,038)	12,173	(45,632)	1,698,572	(562,804)
Structures and transfer devices	11512	103,222	(57,410)	50,328	(10)	10	(4,909)	153,540	(62,309)
Machinery and equipment	11513	1,794,886	(921,930)	91,559	(91,787)	90,771	(131,960)	1,794,659	(963,119)
Transport vehicles	11514	16,475	(6,846)				(180)	16,475	(7,026)
Production and maintenance tools	11515	6,557	(2,695)	248	(752)	753	(579)	6,052	(2,521)
Land plots	11516	18,430						18,430	

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Availability and movement of fixed assets for 2021

Narrative	Code	At the beginning of the year		Changes for the period						At the end of the period	
		Historical cost	Accumulated depreciation	Added	Disposed		Depreciation and impairment accrued	Restatement due to the initial application of RFAS 6/2020		Historical	Accumulated depreciation and impairment
					Historical cost	Accumulated depreciation		Historical cost	Accumulated depreciation and impairment		
Fixed assets (excluding income-bearing investments in tangible assets) - total	1151	3,551,021	(1,542,326)	169,273	(39,872)	31,865	(208,983)	(98,804)	201,218	3,581,618	(1,518,226)
including:											
Buildings	11511	1,655,956	(468,145)	1,614	(13,935)	8,377	(74,414)	(1,587)	4,837	1,642,048	(529,345)
Structures and transfer devices	11512	82,355	(63,930)	21,379	(40)	40	(1,908)	(472)	8,388	103,222	(57,410)
Machinery and equipment	11513	1,754,631	(979,629)	145,459	(25,427)	22,995	(131,173)	(79,777)	165,877	1,794,886	(921,930)
Transport vehicles	11514	18,611	(17,872)		(280)	280	(240)	(1,856)	10,986	16,475	(6,846)
Production and maintenance tools	11515	21,038	(12,750)	821	(190)	173	(1,248)	(15,112)	11,130	6,557	(2,695)
Land plots	11516	18,430								18,430	

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Depreciation elements of fixed assets as at 31 December 2022:

Narrative	Carrying amount without impairment as at the reporting date	Established useful lives of fixed assets (number of years)	Depreciation method	Residual value as at the reporting date
Fixed assets - total	2,091,055	2-88	Straight-line	58,343
including:				
Buildings	1,136,406	16-88	Straight-line	44,242
Structures and transfer devices	91,682	2-88	Straight-line	1,494
Machinery and equipment	831,556	3-67	Straight-line	5,371
Transport vehicles	9,450	10-36	Straight-line	7,227
Production and maintenance tools	3,531	5-35	Straight-line	9
Land plots	18,430	-	-	-

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

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

Narrative	as at 31 December 2022	as at 31 December 2021	as at 31 December 2020
Leased-out fixed assets (on-balance sheet) (carrying amount)	122,526	11,388	10,377
including investment property (carrying amount)		-	-
Fixed assets that have been temporarily shut down (carrying amount)	100,589	73,091	141,719
Other use of fixed assets (real estate items pledged to Sun Pharma (Netherlands) B.V.) to secure a loan (carrying amount)			29,290

The Company transferred premises and equipment under lease contracts. The majority of these fixed assets were transferred under a lease contract with Stroy-Gaz-Service LLC to service heating needs of Biosintez PJSC (RUB 111,740 thousand).

Information about real estate items without state registration:

Narrative	As at 31 December 2022	As at 31 December 2021	As at 31 December 2020
1	2	3	4
Buildings	348	747	9,686
Structures and transfer devices	31,574	18,302	16,695
TOTAL	31,922	19,049	26,381

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Information about the composition and movement of in-progress capital investments is reported in lines 1122, 1152 of the Balance Sheet for 2021-2022:
 The composition and movement of in-progress capital investments for 2022:

Narrative	Code	At the beginning of the period	Accumulated impairment	Changes for the period				At the end of the period
				Costs for the period	Written off	Recognised as fixed assets or increased costs	Impairment (recognised / reversed)	
Capital investments in intangible assets and R&D	1122	8,920	()			(8,920)		
Including:								
Expenses for development work (development stage)								
Capital investments in fixed assets	1152	171,312	(8,911)	91,251		(211,697)	2,326	41,955
Including:								
equipment to be installed and materials in stock		28,432	(7,261)	(6,691)			2,244	14,480
reconstruction and modernisation of fixed assets		13,565		162,945		(169,023)		7,487
in-progress acquisition of other fixed assets		2,112		47,147		(42,674)		6,585
short-term accounts receivable on capital investments		127,203	(1,650)	(112,150)			82	13,403

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The composition and movement of in-progress capital investments for 2021:

Narrative	Code	At the beginning of the period	Accumulated impairment	Changes for the period				At the end of the period
				Costs for the period	Written off	Recognised as fixed assets or increased costs	Impairment (recognised / reversed)	
Capital investments in intangible assets and R&D	1122	13,901		677		(5,658)		8,920
Including:								
Expenses for development work (development stage)								
Capital investments in fixed assets	1152	166,418	(7,802)	173,058		(169,273)	(1,109)	162,401
Including:								
equipment to be installed and materials in stock		20,290	(6,233)	7,114			(1,028)	21,171
reconstruction and modernisation of fixed assets		123,231		36,615		(146,281)		13,565
in-progress acquisition of other fixed assets		17,174		7,930		(22,992)		2,112
short-term accounts receivable on capital investments		5,723	(1,569)	121,399			(81)	125,553

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4.4. Long-term financial investments

All financial investments of the Company are not quoted, therefore, it is not possible to determine their current market value. Information about the availability and movement of long-term financial investments is presented below:

For 2022

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

For 2021

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

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4.5. Deferred tax assets

Deferred tax assets and deferred tax liabilities are reported in B/S lines 1180 "Deferred tax assets" or 1420 "Deferred tax liabilities" on a net basis.

Deferred tax assets are broken down below:

No.	Narrative	Amount as at 31/12/2022	Amount as at 31/12/2021	Amount as at 31/12/2020
1	Tax loss carried forward	25,926	58,813	118,259
2	Provisions for impairment of inventories, R&D	38,239	29,868	11,423
3	Provisions for payment of bonuses to customers	35,974	15,379	12,646
4	Other deferred tax assets	4,120	5,306	5,494
	TOTAL	104,259	109,366	147,822

Deferred tax liabilities are broken down below:

No.	Narrative	Amount as at 31/12/2022	Amount as at 31/12/2021	Amount as at 31/12/2020
1	Fixed assets	141,275	143,522	125,595
2	Intangible assets and R&D	2,287	3,676	3,006
3	Other deferred tax liabilities	28	-	-
	TOTAL	143,590	147,198	128,601

Netted result of lines 1180, 1420:

No.	Narrative	Amount as at 31/12/2022	Amount as at 31/12/2021	Amount as at 31/12/2020
1	Deferred tax assets	-	-	19,221
2	Deferred tax liabilities	39,331	37,832	-

4.6. Other non-current assets

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

1. Line 1110 "Intangible assets";
2. Line 1120 "Research and development results";
3. Line 1150 "Fixed assets";
4. Line 1170 "Financial investments".

Information about other non-current assets:

No.	Narrative	Amount		
		31/12/2022	31/12/2021	31/12/2020
1	Prepaid expenses for the registration of pharmaceuticals	89,829	51,578	37,259

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No.	Narrative	Amount		
		31/12/2022	31/12/2021	31/12/2020
2	Certification and licensing	13	25	12
3	Other	1,455	600	2,140
	TOTAL	91,297	52,203	39,411

4.7. Inventories

Inventories are reported in the Balance Sheet as at the reporting date at carrying amount. The carrying amount of inventories is their actual cost less impairment provision.

The movement of inventories for the reporting and preceding periods is shown in the table below:

For 2022

No.	Narrative	Code	At the beginning of the period	Added	Disposed	At the end of the period
1	Raw materials, consumables and other similar assets	1211	558,896	1,837,231	(1,596,652)	799,475
2	Work in progress costs	1212	85,863	2,157,623	(2,185,455)	58,031
3	Finished products and goods for resale	1213	428,993	2,169,656	(2,048,306)	550,343
4	Other inventories and costs	1214	7,977	39,370	(34,986)	12,361
6	Non-current assets for sale (equipment)	1215	-	-	-	-
	TOTAL	1210	1,081,729	X	X	1,420,210

For 2021

No.	Narrative	Code	At the beginning of the period	Added	Disposed	At the end of the period
1	Raw materials, consumables and other similar assets	1211	676,632	1,480,201	(1,597,937)	558,896
2	Work in progress costs	1212	83,083	2,315,536	(2,312,756)	85,863
3	Finished products and goods for resale	1213	255,697	2,259,842	(2,086,546)	428,993
4	Other inventories and costs	1214	3,679	46,525	(42,228)	7,977
5	Non-current assets for sale (equipment)	1215	46,288		(46,288)	
	TOTAL	1210	1,065,379	X	X	1,081,729

Information about the movement in inventory provision is presented below:

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For 2022

No.	Description of inventories (by groups)	At the beginning of the period	Provision established in the reporting period	Provision charged to income of the reporting period	At the end of the period
1.	Raw materials, consumables and other similar assets	57,526	147,652	(131,558)	73,620
2.	Work in progress costs	4,608	11,279	(8,681)	7,206
3.	Finished products and goods for resale	33,655	154,056	(100,178)	87,533
4.	Non-current assets for sale (equipment)	46,288	-	(28,470)	17,818
	TOTAL	142,077	312,987	(268,887)	186,177

Inventories include non-current assets for sale (equipment to be installed). As there are no potential customers for that equipment, a provision for impairment was established for 100% of its value.

For 2021

No.	Description of inventories (by groups)	At the beginning of the year	Provision established in the reporting period	Provision charged to income of the reporting period	At the end of the period
1.	Raw materials, consumables and other similar assets	34,891	122,552	(99,917)	57,526
2.	Work in progress costs	4,471	8,124	(7,987)	4,608
3.	Finished products and goods for resale	11,517	50,379	(28,241)	33,655
4.	Non-current assets for sale (equipment)	-	46,288	-	46,288
	TOTAL	50,879	227,343	(136,145)	142,077

4.8. Accounts receivable

Accounts receivable are presented in the Balance Sheet in line 1230 less bad debt provision.

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Notes to the Balance Sheet and the Statement of Financial Results for the year ended 31 December 2022
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Breakdown of accounts receivable

Narrative	Code	As at 31/12/2022			As at 31/12/2021			As at 31/12/2020		
		Under a contract	Bad debt provision	Amount less bad debt provision	Under a contract	Bad debt provision	Amount less bad debt provision	Under a contract	Bad debt provision	Amount less bad debt provision
Long-term accounts receivable - total	1231	5,369	-	5,369	6,575	-	6,575	682	-	682
including buyers and customers	12311									
advances paid	12312	359	-	359	6,575	-	6,575	682	-	682
other debtors	12313	5,010	-	5,010						
Short-term accounts receivable - total	1232	994,398	(3,942)	990,456	1,145,939	(17,527)	1,128,412	899,015	(10,435)	888,580
including buyers and customers	12321	921,407	(166)	921,241	1,078,245	(7,151)	1,071,094	849,280	(4,642)	844,638
advances paid	12322	63,808	(3,730)	60,078	59,306	(8,794)	50,512	32,871	(3,753)	29,118
including advances to buy inventories	123221	44,346	(3,730)	40,616	18,113	(2,490)	15,623	18,788	(2,941)	15,847
taxes and levies receivable from the budget	12323	-	-	-	-	-	-	7,750	-	7,750
other debtors	12324	9,183	(46)	9,137	8,388	(1,582)	6,806	9,114	(2,040)	7,074
Total	1230	999,767	(3,942)	995,825	1,152,514	(17,527)	1,134,987	899,697	(10,435)	889,262

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

Narrative	Code	As at 31/12/2022	As at 31/12/2021	As at 31/12/2020
Short-term accounts receivable - total	1232	19,304	5,267	8,666
including buyers and customers	12321	2,675	2,150	3,021
advances paid	12322	16,629	3,117	5,645
other debtors	12324	-	-	-
Total		19,304	5,267	8,666

Information about the movement of bad debt provision is given below

For 2022

Type of asset	Code	At the beginning of the year	Provision established in the reporting period	Provision charged to other income of the reporting period	Provision used in the reporting period	At the end of the period
Short-term accounts receivable - total	1232	17,527	9,358	(16,714)	(6,229)	3,942
including buyers and customers	12321	7,151	4,457	(6,830)	(4,612)	166
advances paid	12322	8,794	4,901	(9,884)	(81)	3,730
other debtors	12324	1,582			(1,536)	46
TOTAL		17,527	9,358	(16,714)	(6,229)	3,942

For 2021

Type of asset	Code	At the beginning of the year	Provision established in the reporting period	Provision charged to other income of the reporting period	Provision used in the reporting period	At the end of the period
Short-term accounts receivable - total	1232	10,435	8,457	(1,135)	(230)	17,527
including buyers and customers	12321	4,642	3,369	(860)	-	7,151
advances paid	12322	3,753	5,088	-	(47)	8,794
other debtors	12324	2,040	-	(275)	(183)	1,582
TOTAL		10,435	8,457	(1,135)	(230)	17,527

4.9. Cash

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

No.	Narrative	as at 31/12/2022	as at 31/12/2021	as at 31/12/2020
1	Cash on hand	-	-	5
2	Cash on bank accounts in rubles	109,478	114,256	277,448

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No.	Narrative	as at 31/12/2022	as at 31/12/2021	as at 31/12/2020
	TOTAL B/S line 1250	109,478	114,256	277,453
	Balance of cash in the Statement of Cash Flows (lines 4450, 4500)	109,478	114,256	277,453

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

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

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

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

Narrative	Code	For 2022	For 2021
Cash flows from operating activities			
Other receipts	4119	80,351	47,067
Received fines and damages	41192	81	350
Receipts of interest under bank account contracts	41193	7,340	2,857
Receipts of interest on deposits (deposit period up to 3 months)	41194	1,035	10
Receipt of subsidies from the federal budget	41195	14,370	11,375
Result of VAT transactions (including refund from the state budget)	41,196	55,348	32,466
Gain/loss on foreign currency exchange transactions	41197	2,149	-
Other	41198	28	9
Other payments	4129	(107,796)	(46,719)
Internal receivables from employees (funds provided for current needs)	41291	(1,714)	(1,336)
Paid fines and damages	41292	(10)	(974)
State duties	41293	(19,948)	(2,933)
Gain/loss on foreign currency exchange transactions	41294	-	(2,059)
Bank services	41295	(3,178)	(4,226)
Social payments	41296	(610)	(1,034)
Taxes (except for individual income tax, income tax) and tax-related fines	41297	(38,289)	(34,157)
Interest, bank fees for assignment of rights of claim	41298	(43,625)	-
Loans provided to employees	41299	(422)	-

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

The following items are presented on a net basis:

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

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

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

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

Narrative	Code	For 2022	For 2021
Payments for wages and salaries, including:	4122	(635,970)	(600,155)
Labour costs	41221	(410,370)	(389,555)
Amount withheld from salary and paid to third parties (alimony, writs of execution etc.)	41222	(13,848)	(13,131)
Individual income tax	41223	(63,432)	(57,592)
Insurance contributions to non-budgetary funds	41224	(148,320)	(139,877)

4.10. Other current assets

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

No.	Narrative	Amount		
		As at 31/12/2022	As at 31/12/2021	As at 31/12/2020
1	Monetary documents (postage stamps, envelopes, employee catering cards, vacation packages)	60	42	122
	TOTAL	60	42	122

4.11. Share capital

The share capital of the Company, according to the Articles of Association, makes up RUB 286,283 as at 31/12/2020.

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

The share capital has been paid in full. No share capital changes were made in 2020 or 2021.

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

4.12. Additional capital

The revaluation of non-current assets for 2022-2021 is presented in the Statement of Changes in Equity.

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

Narrative	Code	As at 31/12/2022	As at 31/12/2021	As at 31/12/2020
Revaluation of non-current assets, TOTAL	1340	-	1,783	286,944
including:				
Revaluation of fixed assets (1992-1997)	1341	-	1,783	286,944

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Due to the first-time adoption of RFAS 6/2020, the increase in the value of fixed assets before 1999 is written off to retained earnings pursuant to clauses 49 and 50 (an alternative method).
Line 1350 of the Balance Sheet as at 31 December 2022 includes the amount of loan debt forgiven by the founder, Sun Pharma (Netherlands) B.V.: principal of RUB 1,500,153 thousand and accrued interest of RUB 320,687 thousand totalling RUB 1,820,840 thousand. The debt forgiveness is reflected as additional capital in accordance with the principles described in section 2.15 hereof and in accordance with the substance over form principle.

4.13. Reserve capital

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

The reserve fund had the following structure in 2022-2021:

Narrative	Code	As at 31/12/2022	As at 31/12/2021	As at 31/12/2020
Reserves in accordance with the legislation	1360	14	14	14
TOTAL	1360	14	14	14

4.14. Retained earnings (uncovered loss)

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

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

On 28 June 2022 the sole shareholder decided to leave profit for 2021 at the disposal of Biosintez PJSC.

Item	Amount for 2021
Profit for 2021	348,737
dividend payment	-
retained earnings	348,737

As at the date of the financial statements, there were no decisions of the sole shareholder to distribute the profit for 2022.

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

Narrative	As at 31/12/2022	As at 31/12/2021	As at 31/12/2020
Retained earnings (uncovered loss), TOTAL	992,335	880,242	165,462
including:			
Retained earnings (loss) of prior years	880,242	165,462	(94,136)
<i>including: because of the transfer of additional capital</i>	288,110	18,737	2,949

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(in thousand Russian Rubles unless otherwise stated)

Narrative	As at 31/12/2022	As at 31/12/2021	As at 31/12/2020
Retained earnings (loss) for the reporting year	112,093	348,737	259,598
Income directly attributable to equity – one-off adjustments due to the first-time adoption of RFAS 6/2020 and RFAS 25/2018, total	-	366,043	-
<i>including:</i>			
<i>adjustments (reversal) of depreciation of fixed assets</i>	-	80,882	-
<i>write-off of additional capital (revaluation of non-current assets)</i>	-	285,161	-

4.15. Deferred tax liabilities

Deferred tax liabilities as at 31 December 2020 are netted with deferred tax assets in B/S line 1180. As at 31 December 2021 and 31 December 2022 they are netted in B/S line 1420. Information is provided in clause 4.5. hereof.

4.16. Loans and borrowings

Information about the Company's outstanding loans and borrowings and their movement is as follows:

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Notes to the Balance Sheet and the Statement of Financial Results for the year ended 31 December 2022
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For 2022

Narrative	Code	At the beginning of the year	Changes for the period				Exchange difference	At the end of the period
			Received	Interest accrued	Principal repayment	Interest repayment		
Long-term borrowings - total	1410	2,505,153	575,000				(1,550,153)	1,530,000
Loans	1411	2,505,153	575,000				(1,550,153)	1,530,000
Interest on loans	1412							
Short-term borrowings - total	1510	778,730	250,000	194,047	(750,000)	(178,152)	(270,687)	23,938
Loans	1511	75,000			(75,000)			
Interest on loans	1512	277,458		191,479		(174,312)	(270,687)	23,938
Bank loans	1513	425,000	250,000		(675,000)			
Interest on bank loans	1514	1,272		2,568		(3,840)		

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Notes to the Balance Sheet and the Statement of Financial Results for the year ended 31 December 2022

(in thousand Russian Rubles unless otherwise stated)

For 2021

Narrative	Code	At the beginning of the year	Changes for the period					Exchange difference	At the end of the period
			Received	Interest accrued	Principal repayment	Interest repayment	Reclassification from long-term to short-term indebtedness		
Long-term borrowings - total	1410	2,365,036	955,000		(525,000)		(289,883)	2,505,153	
Loans	1411	2,125,153	955,000		(525,000)		(50,000)	2,505,153	
Interest on loans	1412	239,883					(239,883)		
Short-term borrowings - total	1510	1,334,329	2,975,000	154,563	(3,809,009)	(166,036)	289,883	778,730	
Loans	1511	34,009			(9,009)		50,000	75,000	
Interest on loans	1512	47,718		113,000		(123,143)	239,883	277,458	
Bank loans	1513	1,250,000	2,975,000		(3,800,000)			425,000	
Interest on bank loans	1514	2,602		41,563		(42,893)		1,272	

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Main loans and borrowings

Narrative	Code	Annual interest rate	Maturity	As at 31/12/2022			As at 31/12/2021			As at 31/12/2020		
				Principal amount	Interest	Total	Principal amount	Interest	Total	Principal amount	Interest	Total
Long-term borrowings - total	1410			1,530,000		1,530,000	2,505,153		2,505,153	2,121,153	239,883	2,365,036
Loans (lender – Sun Pharma (Netherlands) B.V.)	A						1,500,153		1,500,153	1,501,153	239,883	1,740,036
Unnumbered dated 14/12/2016/16-БИО-1068		5.0	13/02/2022							120,000		12,000
Unnumbered dated 14/12/2016/16-БИО-1068		5.0	19/03/2022							260,000		260,000
Unnumbered dated 14/12/2016/16-БИО-1068		5.0	27/07/2022							94,100		94,000
Unnumbered dated 14/12/2016/16-БИО-1068		5.0	21/09/2022							50,100		50,000
Unnumbered dated 14/12/2016/16-БИО-1068		5.0	06/11/2022							100,000		100,000
Unnumbered dated 14/12/2016/16-БИО-1068		5.0	15/05/2023				50,000		50,000	50,100		50,000
Unnumbered dated 14/12/2016/16-БИО-1068		5.0	19/09/2023				70,000		70,000	70,100		70,000
Unnumbered dated 07/06/2017/17-БИО-225		5.0	20/12/2022							107,710		107,710
Unnumbered dated 07/06/2017/17-БИО-225		5.0	20/12/2023				538,442		538,442	538,442		538,442
Unnumbered dated 07/06/2017/17-БИО-225		7.5	30/12/2022								239,883	239,883
Unnumbered dated 14/12/2016/16-БИО-1068		5.0	24/07/2024				30,000		30,000	30,100		30,000
Unnumbered dated 14/12/2016/16-БИО-1068		5.0	19/11/2024				30,000		30,000	30,100		30,000
Unnumbered dated 14/12/2016/16-БИО-1068		5.0	11/11/2025				50,000		50,000	50,100		50,000
Unnumbered dated 14/12/2016/16-БИО-1068		5.0	13/02/2024				120,000		120,000			
Unnumbered dated 14/12/2016/16-БИО-1068		5.0	19/03/2024				260,000		260,000			
Unnumbered dated 14/12/2016/16-БИО-1068		5.0	27/07/2024				94,000		94,000			

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Unnumbered dated 14/12/2016/16-БИО-1068	5.0	21/09/2024				50,000						
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	06/11/2024			100,000							
Unnumbered dated 07/06/2017/17-БИО-225	5.0	20/12/2024			107,711							
Loans (lender – JSC Ranbaxy)												
19-БИО-362 dated 12/12/2019	Key rate 0.75	31/12/2024	1,530,000	1,530,000	1,005,000		550,000				550,000	
Loans (lender – Industrial Development Fund)								75,000			75,000	
20-БИО-239 dated 17/06/2020	1.0	15/01/2022					12,500				12,500	
20-БИО-240 dated 17/06/2020	1.0	15/01/2022					12,500				12,500	
20-БИО-239 dated 17/06/2020	1.0	31/03/2022					12,500				12,500	
20-БИО-240 dated 17/06/2020	1.0	31/01/2022					12,500				12,500	
20-БИО-239 dated 17/06/2020	1.0	17/06/2022					12,500				12,500	
20-БИО-240 dated 17/06/2020	1.0	17/06/2022					12,500				12,500	
Short-term borrowings - total	1510		23,938	23,938	500,000	278,730	1,284,009	50,320	50,320	778,730	1,334,329	
Loans (lender – Sun Pharma (Netherlands) B.V.)	A											
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	27/12/2021					9,009				9,009	
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	28/02/2021					7,880				7,880	
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	28/02/2021					1,509				1,509	
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	30/01/2021					227				227	
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	28/02/2021					2,122				2,122	
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	28/02/2021					656				656	
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	28/02/2021					2,016				2,016	

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Unnumbered dated 07/06/2017/17-БИО-225	5.0	28/02/2021								16,494	16,494
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	30/03/2021								2,295	2,295
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	30/04/2021								985	985
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	30/04/2021								690	690
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	30/04/2021								3,658	3,658
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	30/06/2021								751	751
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	30/06/2021								172	172
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	30/06/2021								314	314
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	30/06/2021								342	342
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	30/07/2021								5	5
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	30/07/2021								1,059	1,059
Unnumbered dated 07/06/2017/17-БИО-225	5.0	30/01/2022						16,198			
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	28/02/2022						2,680			
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	30/03/2022						2,301			
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	30/04/2022						5,348			
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	30/06/2022						1,583			
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	30/07/2022						1,062			
Unnumbered dated 14/12/2016/16-БИО-1068	5.0	30/12/2022						239,883			
Bank loan (lender - Citibank JSC, Moscow)							425,000	1,272	426,272	1,250,000	2,602
19-БИО-351 dated 24/04/2018	7.2	01/02/2021								150,000	1,742
19-БИО-351 dated 24/04/2018	7.2	19/02/2021								950,000	0
19-БИО-351 dated 24/04/2018	5.0	19/02/2021								150,000	860
19-БИО-351 dated 24/04/2018	7.8	17/01/2022					425,000	1,272	426,272		

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Loans (lender – Industrial Development Fund)							75,000	22	75,022	25,000	30	25,030
20-БИО-239 dated 17/06/2020	1.0	30/09/2021									0	12,500
20-БИО-240 dated 17/06/2020	1.0	30/09/2021								12,500	0	12,500
20-БИО-239 dated 17/06/2020	1.0	20/03/2021									15	15
20-БИО-240 dated 17/06/2020	1.0	20/03/2021									15	15
20-БИО-239 dated 17/06/2020	1.0	15/01/2022				12,500			12,500			
20-БИО-240 dated 17/06/2020	1.0	15/01/2022				12,500			12,500			
20-БИО-239 dated 17/06/2020	1.0	31/03/2022				12,500			12,500			
20-БИО-240 dated 17/06/2020	1.0	31/03/2022				12,500			12,500			
20-БИО-239 dated 17/06/2020	1.0	17/06/2022				12,500			12,500			
20-БИО-240 dated 17/06/2020	1.0	17/06/2022				12,500			12,500			
20-БИО-239 dated 17/06/2020	1.0	20/03/2022					11		11			
20-БИО-240 dated 17/06/2020	1.0	20/03/2022					11		11			
Loans (lender – JSC Ranbaxy)						23,938	23,938	8,381	8,381		6,514	6,514
19-БИО-362 dated 12/12/2019	Key rate*0.75	28/02/2021										
19-БИО-362 dated 12/12/2019	Key rate*0.75	30/03/2022						5,451	5,451			
19-БИО-362 dated 12/12/2019	Key rate*0.75	30/06/2022						2,082	2,082			
19-БИО-362 dated 12/12/2019	Key rate*0.75	30/07/2022						848	848			
19-БИО-362 dated 12/12/2019	Key rate*0.75	30/01/2023				6,354						
19-БИО-362 dated 12/12/2019	Key rate*0.75	30/03/2023				13,935						
19-БИО-362 dated 12/12/2019	Key rate*0.75	30/06/2023				2,851						
19-БИО-362 dated 12/12/2019	Key rate*0.75	30/07/2023				798						

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

No.	Narrative	For 2022		For 2021	
		Amount	Interest	Amount	Interest
1	Interest amount included in other expenses	194,046	100%	154,359	99.9
2	Amount of capitalised interest	-	-	204	0.1
2.1.	Amount of interest on loans received for the purposes not related to the acquisition, erection and (or) production of an investment asset that was included in the cost of the investment asset	-	-	-	-

In 2022, an agreement was concluded with the founder, Sun Pharma (Netherlands) B.V., on loan debt forgiveness: principal of RUB 1,500,153 thousand, accrued interest of RUB 320,687 thousand.

4.17. Accounts payable

Information about the structure of accounts payable is presented below.

Narrative	Code	As at 31/12/2022	As at 31/12/2021	As at 31/12/2020
Other liabilities - long-term accounts payable	1450	1,112	1,122	43,672
including Sun Pharma (Netherlands) B.V.	1451	-	-	43,129
long-term lease liabilities	1452	1,112	1,122	-
Short-term accounts payable - total	1520	132,558	308,209	183,286
including:				
suppliers and contractors	1521	68,932	180,467	118,049
advances received	1525	935	7,227	10,912
payables to company employees	1522	18,166	18,076	17,120
payables to state non-budgetary funds	1523	12,536	12,130	11,160
charge and tax payables	1524	30,739	45,919	24,335
including value-added tax	15241	16,880	21,361	-
other creditors	1526	1,250	44,390	1,710
including Sun Pharma (Netherlands) B.V.	15261	-	43,310	-
short-term lease liabilities	15262	10	9	-
Total		133,670	308,200	226,958

4.18. Government assistance

Information about government assistance is as follows:

Narrative	For 2022	For 2021
Public funds received – total	14,370	11,375

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(in thousand Russian Rubles unless otherwise stated)

including for current expenses (reimbursement of expenses for exported cargo carriage)	14,370	11,375
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4.19. Estimated liabilities, contingent liabilities and contingent assets

Information about estimated liabilities is as follows:

For 2022

Narrative	At the beginning of the year	Recognised		Repaid	Written off as surplus amount	At the end of the year
		amount recognised in the reporting period	increase in the present value for the reporting period (interest)			
Total	126,547	416,513		(313,613)	(42)	229,405
including:			not applicable			
Estimated liabilities for vacation payments to employees	48,385	55,280	not applicable	(54,779)		48,886
Provision for settlements with contractors	1,268	2,280	not applicable	(2,900)		647
Provision for bonuses to customers	76,894	358,953	not applicable	(255,934)	(42)	179,871

For 2021

Narrative	At the beginning of the year	Recognised		Repaid	Written off as surplus amount	At the end of the year
		amount recognised in the reporting period	increase in the present value for the reporting period (interest)			
Total	110,070	200,676		(181,781)	(2,418)	126,547
including:						
Estimated liabilities for vacation payments to employees	46,192	53,908	not applicable	(51,715)		48,385
Provision for settlements with contractors	647	2,281	not applicable	(1,660)		1,268
Provision for bonuses to customers	63,231	144,487	not applicable	(128,406)	(2,418)	76,894

Information about the Company's contingent liabilities and contingent assets occurred in the reporting period: as at 31 December 2022 there are no contingent liabilities or contingent assets.

4.20. Lease contracts

The lessee's leases

The Company received assets in lease (land) intended to place real estate items used for production of finished products and for general business needs.

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The Company also leases assets (land) that cannot bring economic benefits (not recognised as a right-of-use asset).

Leased assets recognised by the entity as a right-of-use asset and information about the movement of right-of-use assets:

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The availability and movement of right-of-use assets for 2022:

Narrative	Code	At the beginning of the period			Changes for the period						At the end of the period				
		Historical (actual) cost	Accumulated depreciation	Accumulated impairment	Disposed			Impairment			Historical (actual) cost	Accumulated depreciation	Accumulated impairment		
					Historical (actual) cost	Accumulated depreciation	Accumulated impairment	Depreciation accrued	Recognised (reversed)	Reduced by depreciation on amount				Change in historical cost due to revaluation of the lease liability	
Fixed assets (other than investment property) - total including:	1153	1,131	()					(32)					1,131	(32)	
Land plots		1,131	()					(32)					1,131	(32)	

The availability and movement of right-of-use assets for 2021:

Narrative	Code	At the beginning of the period			Changes for the period						At the end of the period					
		Historical (actual) cost	Accumulated depreciation	Accumulated impairment	Disposed			Impairment			Historical (actual) cost	Accumulated depreciation	Accumulated impairment			
					Historical (actual) cost	Accumulated depreciation	Accumulated impairment	Accrued depreciation	Recognised (reversed)	Reduced by depreciation on amount				Change in historical cost due to revaluation of the lease liability		
Fixed assets (other than investment property) - total including:	1153		()							1,131					1,131	()
Land plots			()							1,131					1,131	()

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Notes to the Balance Sheet and the Statement of Financial Results for the year ended 31 December 2022

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The useful lives of leased assets and information about the revision of the useful lives and lease payments

Group of right-of-use assets	Useful lives (number of years)
Land plots	49

There are no lease contracts with the term less than 12 months.

Lease liabilities

Information about lease liabilities is presented in the table below:

Narrative	31/12/2022	31/12/2021	31/12/2020
Short-term lease liabilities (B/S line 1526)	10	10	
Long-term lease liabilities (B/S line 1450)	1,112	1,122	-
Total lease liabilities	1,122	1,131	

Interest on lease liabilities

Narrative	2022	2021
Interest accrued on lease liabilities that was included in other expenses (line 2350 of the Statement of Financial Results)	68	-
Interest accrued on lease liabilities included in the value of fixed assets under construction and investment property (line 1150 of the Balance Sheet)	-	-
Total interest accrued on lease liabilities	68	-

The actual amount of lease payments and lease liabilities was not revised during the reporting year.

Information about lease contracts with no right-of-use assets and lease liabilities recognised:

Narrative	As at 31/12/2022	As at 31/12/2021	As at 31/12/2020
Leased fixed assets - TOTAL	19,754	38,024	38,024
Land	19,754	38,024	38,024

The list of land plots leased by the Company with no right-of-use assets and lease liabilities recognised:

No.	Location of the land plot	Area	Cadastral value	Lessor	Remained term of lease, months
1	11 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	410
2	9 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	410
3	10 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	410
4	3 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	410
5	4 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	410

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Notes to the Balance Sheet and the Statement of Financial Results for the year ended 31 December 2022

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6	5 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	410
7	6 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	410
8	7 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	410
9	8 Podlesny, Penza, Penza Region	900	12	Municipal Property Management Committee of the Administration of Penza	410
10	12 Podlesny, Penza, Penza Region	900	11	Municipal Property Management Committee of the Administration of Penza	410
11	13 Podlesny, Penza, Penza Region	900	11	Municipal Property Management Committee of the Administration of Penza	410
12	4 Druzhby St., Penza, Penza Region	4,416	6,927	Interregional Territorial Administration of the State Property Management Federal Agency in the Republic of Mordovia, Republic of Mari El, Chuvash Republic and Penza Region	396
13	4 Druzhby St., Penza, Penza Region	2,293	3,477	Interregional Territorial Administration of the State Property Management Federal Agency in the Republic of Mordovia, Republic of Mari El, Chuvash Republic and Penza Region	396
14	4 Druzhby St., Penza, Penza Region	2,710	4,138	Interregional Territorial Administration of the State Property Management Federal Agency in the Republic of Mordovia, Republic of Mari El, Chuvash Republic and Penza Region	396
15	4 Druzhby St., Penza, Penza Region	1,603	2,599	Interregional Territorial Administration of the State Property Management Federal Agency in the Republic of Mordovia, Republic of Mari El, Chuvash Republic and Penza Region	396
16	4 Druzhby St., Penza, Penza Region	1,402	2,483	Interregional Territorial Administration of the State Property Management Federal Agency in the Republic of Mordovia, Republic of Mari El, Chuvash Republic and Penza Region	396
	TOTAL	22,324	19,754		

Leased land plots are presented in the financial statements at cadastral value off-balance sheet.

The lessor's leases

Operating lease income is recognised on a straight-line basis.

Biosintez PJSC transferred buildings and equipment in operating lease to its contractors for production needs of Biosintez PJSC and its employees (the gate house (236/246) intended for employees to enter the premises, the boiler house intended for heat generation, the café intended for catering needs of employees of Biosintez PJSC). Information about the carrying amount of the assets is presented in section 4.3 hereof.

Lease income and expenses are recognised by the lessor in other income.

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4.21. Off-balance sheet inventories

Information about off-balance sheet inventories is as follows.

Narrative	As at 31/12/2022	As at 31/12/2021	As at 31/12/2020
Inventories accepted for custody	329	598	472
Inventories accepted for processing	858	782	1,171
TOTAL	1,187	1,380	1,643

4.22. Collateral and surety issued and received

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

Narrative	As at 31/12/2022	As at 31/12/2021	As at 31/12/2020
Collateral and surety received, total:	12,100	72,975	28,067
including surety		2	2
bank guarantees	12,100	72,973	28,065
Collateral and surety issued, total:	5,000	5,000	128,896
including pledge of property and property rights	5,000	5,000	128,896
including the cost of pledged fixed assets (pledge value)	-	-	112,240

5. Notes to the Statement of Financial Results

5.1. Income from ordinary activities

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

Narrative	Code	For 2022	For 2021
Sale of pharmaceuticals for export	2111	443,479	548,598
Sale of pharmaceuticals on the domestic market	2111	2,405,194	2,761,613
Other sales	2112	23,015	22,866
Total revenue	2110	2,871,688	3,333,077

Biosintez PJSC

Notes to the Balance Sheet and the Statement of Financial Results for the year ended 31 December 2022

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5.2. Expenses for ordinary activities

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

Narrative	Code	For 2022	For 2021
Sale of pharmaceuticals for export	2121	359,615	402,948
Sale of pharmaceuticals on the domestic market	2121	1,702,150	1,752,112
Other sales	2122	8,818	8,294
Total cost of sales	2120	2,070,583	2,163,354

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

Narrative	For 2022	For 2021
Maintenance of the executive office	13,112	11,398
Transportation of products to destination	32,696	32,677
Expenses of warehouses of finished products	30,411	28,573
Non-capital expenses related to the improvement of technology and organisation of work	15,603	13,117
Advertising	2,661	2,632
Other selling expenses	10,003	9,400
Total selling expenses	104,486	97,797

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

Narrative	For 2022	For 2021
Material costs	42,402	34,865
Payroll costs	163,907	146,007
Social charges	42,666	37,534
Depreciation	11,318	19,172
Other	117,681	76,837
Total administrative expenses	377,974	314,415

Expenses for ordinary activities by cost item are as follows:

Narrative	For 2022	For 2021
Material costs	1,768,432	1,885,747
Payroll costs	504,326	475,137
Insurance contributions to non-budgetary funds	134,978	127,705
Depreciation	171,332	156,984
Other expenses	67,492	106,069

Biosintez PJSC**Notes to the Balance Sheet and the Statement of Financial Results for the year ended 31 December 2022****(in thousand Russian Rubles unless otherwise stated)**

Narrative	For 2022	For 2021
including Repair of fixed assets	6,690	5,541
Representation expenses	4	4
Total by cost items	2,646,561	2,751,642
Changes in inventories and expenses (+ increase, - decrease)	(93,518)	(176,076)
Total expenses for ordinary activities	2,553,043	2,575,566

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Notes to the Balance Sheet and the Statement of Financial Results for the year ended 31 December 2022

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5.3. Other income and expenses

The other income and expenses for 2021 – 2022 shown in lines 2340 and 2350 of the Statement of Financial Results, respectively, are as follows:

No.	Narrative	For 2022	For 2021
1	Other income	100,954	28,688
1.1.	Property sale:	9,123	6,110
1.1.1.	<i>Sale of raw materials and consumables</i>	9,123	5,526
1.1.2	<i>Sale of fixed assets</i>	-	584
1.2.	Income from the lease of property	4,233	925
1.3.	Exchange differences	28,534	6,901
1.4.	Donated property	92	-
1.5.	Surpluses identified during stocktaking	11	8
1.6.	Overdue accounts payable	-	4
1.7.	Subsidies	14,870	11,375
1.8.	Accrual (reversal) of provisions	38,151	
1.9.	Other income	5,940	3,365
2	Other expenses	(87,449)	(191,003)
2.1.	Foreign currency sale and purchase	-	(2,059)
2.2.	Accrual (reversal) of provisions	-	(54,721)
2.3.	Services of credit institutions	(2,775)	(3,197)
2.4.	Depreciation of fixed assets temporarily shut down	(9,025)	-
2.5.	Other expenses	(75,649)	(131,026)
2.5.1.	<i>including expenses related to the disposal (write-off) of fixed assets and other tangible assets</i>	(21,870)	(20,164)
2.5.2.	<i>social expenses</i>	(12,116)	(13,870)
2.5.3.	<i>property tax</i>	(27,534)	(26,158)
2.5.4.	<i>changes in accounting estimates of fixed assets</i>	(3,233)	(57,218)
2.5.5.	<i>other expenses</i>	(10,896)	(13,616)

5.4. Income tax

Income tax for tax purposes (current income tax – line 2410 of the Statement of Financial Results) is determined on the basis of provisional income tax expense/benefit adjusted for the permanent tax liability, deferred asset and deferred tax liability.

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

No.	Narrative	For 2022	For 2021
1.	Provisional income tax expense (benefit)	29,295	88,741
2.	Permanent tax liability (asset)	5,090	6,227
3.	Deferred tax asset (DTA)	(5,107)	(38,456)
4.	Deferred tax liability (DTL)	3,608	2,934
	Current income tax (current tax loss)	32,886**	59,446*

* including income tax for 2020 in the amount of RUB 13 thousand as per the amended tax return.

** including income tax for 2021 in the amount of RUB 10 thousand as per the amended tax return.

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

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No.	Narrative	For 2022	For 2021
1.	Permanent differences, including:	25,449	31,136
1.1.	loan interest in excess of norms	-	106
1.2.	social expenses	10,552	12,351
1.3.	write-off of inventories and other assets	10,630	15,315
1.4.	donated property, services	2,622	2,944
1.5.	other	1,645	420
2.	Temporary (taxable) differences, including:	18,042	(42,548)
2.1.	fixed assets	11,234	(39,196)
2.2.	Intangible assets, R&D	6,947	(3,352)
2.3.	other	(139)	-
3.	Temporary (deductible) differences, including:	(25,535)	(135,060)
3.1.	Tax loss carried forward (recognised to decrease the tax base)	(164,434)	(297,233)
3.2.	accrual (reversal) of provision for settlements with contractors	1,675	(4,562)
3.3.	accrual (reversal) of bad debt provision	(6,681)	4,665
3.4.	Accrual (reversal) of provision for impairment of inventories, R&D, FA	41,855	149,445
3.5.	accrual (reversal) of provision for bonuses to customers	102,977	13,664
3.6.	other	(927)	(1,039)

5.5. Disclosure of information about earnings per share

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

For 2021	For 2020
214,712	214,712

Basic earnings per share

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

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

Narrative	2022	2021
Earnings (loss) of the reporting period left after tax and other mandatory payments, RUB	112,093,092	348,736,628.81
Dividends on preferred shares accrued to their holders for the reporting period	71,571	71,571
Basic earnings (loss) of the reporting period, RUB	112,021,521	348,665,057.81
Weighted average number of ordinary shares	214,712	214,712
Basic earnings (loss) per one share, RUB	521.73	1,623.87

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Diluted earnings (loss) per share

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

Narrative	2022	2021
Weighted average number of ordinary shares	214,712	214,712
Maximum weighted average number of shares after conversion	286,283	286,283
Adjusted basic earnings (loss), RUB	112,093,092	348,736,628.81
Diluted earnings per one share, RUB	391.55	1,218.15

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Notes to the Balance Sheet and the Statement of Financial Results for the year ended 31 December 2022 (in thousand Russian Rubles unless otherwise stated)

6. Other notes

6.1. Information about discontinued operations

The Company did not make any decisions to discontinue operations in 2022.

6.2. Related parties

The list of related parties for 2021-2022 and relevant information are given below:

Nature of relationship with related parties

Group Name of related party	Nature of relationship*		Changes in related parties
	for 2022	for 2021	
Predominant (participating) companies			
Sun Pharma (Netherlands) B.V.	B	B	
Key management personnel: Members of the Board of Directors			
Arun Kumar Rajput - chairman	B	B	
Rakesh Sinha	B	B	from 25/06/2020 till 11/11/2021
Kalpesh Shah	B	B	from 25/06/2020 till 11/11/2021
Viswanathan Sethuraman	B	B	after 11/11/2021
Sergey Lepetan	B	B	after 11/11/2021
Arvind Abrol	B	B	
Alexander Voloshinov	B	B	
General Director Dmitry Boldov	B	B	
Other related parties			
SUN PHARMACEUTICAL INDUSTRIES LIMITED, India	B	B	
JSC Ranbaxy, Moscow	C	C	

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

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

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

The Company belongs to the SUN PHARMACEUTICAL INDUSTRIES LIMITED group of companies, India.

The list of related parties of SUN PHARMACEUTICAL INDUSTRIES LIMITED as at 31 March 2022 is presented in the group's consolidated financial statements on the company's website

<https://sunpharma.com/investors-annual-reports-presentations/>

There were no material changes in the group structure as at 31 December 2022.

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

Related party transactions for 2021-2022:

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Related party transactions for 2022

Item (name of related party)	Type of transaction	Outstanding as at 31 December 2021 (Debit +, Credit -)	Receipt of goods, acceptance of works and services	Repayment of indebtedness	Debt forgiveness by the creditor	Outstanding as at 31 December 2022 (Debit +, Credit -)		Bad debt provision as at the end of the reporting period	Type of settlement
						within 12 months	over 12 months		
<i>Predominant (participating) companies</i>									
SUN PHARMA (NETHERLANDS) B.V.	Loan receipt	(1,769,208)	(73,980)	22,348	1,820,840				non-cash
	Assignment of rights (claims) (payables to PJSC Sberbank)	(43,310)	(315)	43,625					non-cash
<i>Other related parties</i>									
JSC Ranbaxy, Moscow	Sale of medicines	1,006	124,970	(122,272)		3,704			
JSC Ranbaxy, Moscow	Sale of services		1,002	(1,002)					
JSC Ranbaxy, Moscow	Loan receipt	(1,013,381)	(692,319)	151,762		(23,938)	(1,530,000)		non-cash
Sun Pharmaceutical Industries Ltd., India	Purchase of goods, works, services	(1,128)	(50,931)	42,729		(9,330)			
Total		(2,826,021)	(691,573)	137,190	1,820,840	(29,564)	(1,530,000)		

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Notes to the Balance Sheet and the Statement of Financial Results for the year ended 31 December 2022
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Related party transactions for 2021

Item (name of related party)	Type of transaction	Outstanding as at 31 December 2020 (Debit +, Credit -)	Receipt of goods, acceptance of works and services	Repayment of indebtedness	Debt forgiveness by the creditor	Outstanding as at 31 December 2021 (Debit +, Credit -)		Bad debt provision as at the end of the reporting period	Type of settlement
						within 12 months	over 12 months		
<i>Predominant (participating) companies</i>									
SUN PHARMA (NETHERLANDS) B.V.	Loan receipt	(1,790,218)	(75,446)	96,456		(269,055)	(1,500,153)		non-cash
	Assignment of rights (claims) (payables to PJSC Sberbank)	(43,129)	(181)			(43,310)			no payment
<i>Other related parties</i>									
JSC Ranbaxy, Moscow	Purchase of goods, works, services		(11)	11					non-cash
JSC Ranbaxy, Moscow	Sale of medicines		20,579	(19,573)		1,006			non-cash
JSC Ranbaxy, Moscow	Sale of services		1,538	(1,538)					non-cash
JSC Ranbaxy, Moscow	Loan receipt	(556,514)	(991,621)	534,754		(8,381)	(1,005,000)		non-cash
Sun Pharmaceutical Industries Ltd., India	Purchase of goods, works, services	(8,386)	(5,048)	12,306		(1,128)			non-cash
Total		(2,398,247)	(1,050,190)	622,416		(320,868)	(2,505,153)		

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Notes to the Balance Sheet and the Statement of Financial Results for the year ended 31 December 2022

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6.3. Remuneration to key management personnel

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

No.	Narrative	For 2021	For 2021
1	Short-term remunerations – the amounts to be paid during the reporting period, and 12 months after the reporting date (payroll for the reporting period, taxes and other mandatory payments to the corresponding budgets and non-budgetary funds accrued thereon, annual paid leave for work in the reporting period, payment for medical treatment, health services, utilities and other payments to the benefit of the key management personnel)	25,893	26,549
	TOTAL	25,893	26,549

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

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

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

Remuneration to the Head of Internal Audit for 2022 amounted to RUB 117.6 thousand (payment nature - salary for the reporting period, related taxes and other mandatory payments to the respective budgets and non-budgetary funds, annual paid leave for work in the reporting period, business travel expenses), the remuneration amount in 2021 was RUB 102.6 thousand.

6.4. Subsequent events

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

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

6.5. Tax legislation

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

The Company's management believes that as of 31 December 2022 their interpretation of the relevant legislation was appropriate, and the Company's financial position given the applicable tax, foreign exchange and customs legislative environment is highly likely to be sustained.

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6.6. Additional information

In February 2022, the economic situation in the Russian Federation was adversely affected by the escalated geopolitical conflict in Ukraine and ongoing international sanctions against certain Russian entities and citizens. These factors caused a substantially increased instability in financial markets, frequent and significant price changes, weakening of the ruble against key world currencies, volatility of demand and prices in international oil and gas markets.

The expected further extension of the list of sanctions, barring some Russian banks from SWIFT, new restrictions for the Bank of Russia and other entities, airspace closure for Russian airlines by quite a few countries may have a significant impact on the economic situation in the Russian Federation in the future, which is hard to forecast.

No direct sanctions were imposed on the Company or the Company's officials. Certain supplies of raw materials from European suppliers were replaced with import from India and China. The situation has not had a material impact on sales of finished products.

The impact of these events that occurred in February 2022 on the Company's operations will depend on the duration of the high geopolitical tension and the extent to which the Russian economy will be able to adapt to the sanctions.

According to estimates of the Company's management, the factors described do not affect the Company's ability to continue as a going concern in the foreseeable future. Measures taken by the Company and its development plans allow the Company to ensure uninterrupted operation and fulfil obligations towards its counterparties.

29 March 2023

General Director of Biosintez PJSC

D.V. Boldov

Chief Accountant at Biosintez PJSC

T.Y. Tefanova