

AUDIT ACCOUNTANT'S OPINION

on accounting (financial) statements of
Biosintez, PJSC as of the end of 2017



AUDIT ACCOUNTANT'S OPINION

To attention of the shareholders of Biosintez, PJSC

Qualified opinion

We have conducted an audit of the accounting (financial) statements of the Public Joint Stock Company "Biosintez" (Company) (OGRN (Primary State Registration Number) 1025801102502, address: Druzhby street, 440033, Penza), consisting of the balance sheet as of December 31, 2017, the profit and loss statement for 2017, annexes to the balance sheet and the profit and loss statement, including the statement of changes in equity for 2017 and the cash flow statement for 2017, notes to the accounting (financial) statements for 2017.

It is our opinion that, except for the impact of the issue stated in the section "Justification for expressing a qualified opinion" of this opinion, the attached accounting (financial) statements certify reliably in all material respects the financial position of Biosintez, PJSC as of December 31, 2017, and as well as its profit and loss and cash flows for 2017 in accordance with the rules for preparation of accounting (financial) statements, established in the Russian Federation.

Justification for expressing a qualified opinion

As a result of incorrect records of discounts (benefits) provided to buyers for the achieved volume of purchases and early payment for goods, accounted for other expenses, the indicators of lines "Revenue" and "Other expenses" of the profit and loss statement for 2017 are overstated for the amount of 159,707 thousand rubles, as well as the corresponding indicators of the profit and loss statement for 2016 are overstated for the amount of 362,196 thousand rubles, without any effect on the state of tax payments.

We have conducted the audit in accordance with the International Standards on Auditing (ISA).

Our responsibility in accordance with these standards is described in the section "Auditor's responsibility for auditing the financial statements" of this opinion. We are independent of the Company in accordance with ethical requirements applicable to the audit of the accounting (financial) statements in the Russian Federation, and we have met our other ethical commitments in accordance with these requirements.

We believe that the obtained audit evidence is sufficient and appropriate to provide a basis for our audit qualified opinion.

Other information

The audit of the accounting (financial) statements of Biosintez, PJSC for the year ended on December 31, 2016, was conducted by another auditor who expressed an unqualified audit opinion on those statements dated March 30, 2017.

Responsibility of the management and the persons responsible for corporate management for accounting (financial) statements

The Director General (management) is responsible for preparation and fair submission of the mentioned accounting (financial) statements in accordance with the rules for preparation of accounting (financial) statements established in the Russian Federation and for the internal control system that the management considers required for preparation of the accounting (financial) reporting free from material misstatement due to fraud or error.

When preparing the financial statements, the Director General (management) is responsible for assessment of the Company ability to continue continuously its business, for disclosure, when applicable, of information related to the business continuity and for reporting on the basis of the going concern assumption, except for cases when the management intends to liquidate the Company, to terminate its activities or when any other real alternative, but for liquidation or termination of the business, is not available.

The persons responsible for corporate management are responsible for supervision over preparation of the Company's financial statements.

The auditor's responsibility for auditing the accounting (financial) statements.

Our goal is obtaining reasonable assurance that the accounting (financial) statements do not contain material misstatement due to fraud or error, and issue of the audit opinion containing our opinion. Reasonable confidence means a high degree confidence, but it is not a guarantee that the audit conducted in accordance with the International Standards on Auditing always reveals significant misstatement if any. Misstatement can be the result of unfair actions or mistakes and are considered significant if it can reasonably be assumed that individual or total misstatements can affect the economic decisions of users adopted based on these accounting (financial) statements.

As part of the audit conducted in accordance with the International Standards on Auditing, we apply professional judgment and maintain professional skepticism throughout the audit. In addition, we perform the following:

- a) identification and assessment of the risks of material misstatement of the accounting (financial) statements due to fraud or error; development and conducting of the audit procedures in response to these risks; obtaining audit evidence that is sufficient and appropriate to serve as a basis for expressing our opinion. The material misstatement detection risk as a result of unfair actions is higher than the material misstatement detection risk as a result of an error, since frauds can include collusion, falsification, intentional omission, data misrepresentation or actions bypassing the internal control system;
- b) obtaining of the internal control system understanding relevant to the audit aimed at development of the audit procedures appropriate to the circumstances, but not aimed at expressing an opinion on effectiveness of the company's internal control system;
- c) assessment of the proper nature of the applied accounting policies, justification of the accounting estimates and corresponding disclosure of information prepared by management;
- d) preparation of a conclusion on legitimacy of the management's going concern assumption, and based on the obtained audit evidence - a conclusion on significant uncertainty caused by the events or conditions that can rise significant doubts about the ability of the Company to continue continuously its business. If we conclude about the significant uncertainty, we should draw attention in our audit opinion to the appropriate disclosure of information in the accounting (financial) statements or, if such disclosure is improper, modify our opinion. Our conclusions are based on the audit evidence obtained before the date of issues of our audit report. However, future events or conditions can cause the Company's loss of ability to continue its business continuously;
- e) assessment of submission of the accounting (financial) statements as a whole, its structure and content, including disclosure of the information, as well as whether the accounting (financial) statements provide for the based transactions and events in such a way as to ensure their reliable presentation.

We ensure informational interaction with the persons responsible for corporate management, including, without limitation, the information on the planned scope and timing of the audit, as well as significant comments on the audit results, including significant deficiencies in the internal control system identified during the audit process.

Task manager of the audit,
based on which results
this audit accountant's opinion is issued

/Signature/

M.N. Aksyonov

Audit organization:

Joint-Stock Company "BDO Unicon"

OGRN (Primary State Registration Number) 1037739271701,

Varshavskoye shosse, 125, bld. 1, section 11, 117587, Moscow, Russia,

A member of the self-regulatory organization of auditors "Russian Association of Auditors" (Association),

OGRN (Primary State Registration Number 11603059593 March 28, 2018

Balance Sheet
as of **31 December 20 17**

Organization Biosintez, an Public Joint Stock Company
 Taxpayer Identification Number _____
 Type of economic activities production of drugs
 Organizational legal form/ownership form _____
 PJSC/private ownership _____
 Unit of measurement: RUR '000 _____
 Location (address) 4, Druzhby St., Penza, 440033

OKUD form _____
 Date (day, month, year) _____
 OKPO _____
 TIN _____
 OKVED _____
 OKOPF/OKFS _____
 OKEI _____

Codes	
0710001	
00480550	
5834001025	
21.20.1	
12247	16
384	

Explanations	Indicator Name	Code	As of <u>31 December</u> 20 <u>17</u>	As of <u>31 December</u> 20 <u>16</u>	As of <u>31 December</u> 20 <u>15</u>
ASSETS					
I. NON-CURRENT ASSETS					
1.1; 18	Intangible assets	1110	2 508	2 764	3 015
1.4; 19	Results of research and development	1120	8 953	9 304	8 239
	Intangible search assets	1130	0	0	0
	Tangible search assets	1140	0	0	0
2.1; 20	Fixed assets	1150	1 776 398	1 890 506	1 954 366
	valuables	1160	0	0	0
3.1; 21	Financial investments	1170	2 000	1 069	2 000
	Deferred tax assets	1180	120 468	149 680	134 917
1.5; 30	Unfinished and unregistered R&D and unfinished operations for acquisition of intangible assets	11851	40 769	87 876	69 951
2.2;17; 30	Unfinished capital investments in fixed asset items	11852	310 317	224 238	239 060
30	Other non-current assets	1190	42 864	51 960	63 823
	Total for section I	1100	2 304 277	2 417 397	2 475 371
II. CURRENT ASSETS					
4.1	Reserves	1210	637 119	480 031	619 540
	including:				
	<i>raw and other materials and other similar valuables</i>	1211	360 374	249 440	265 332
	<i>costs in work-in-process</i>	1212	63 948	30 904	76 660
	<i>finished products and goods for resale</i>	1213	211 430	195 381	270 811
	<i>other reserves and costs</i>	1214	1 367	4 306	6 737
	Value added tax on acquired valuables	1220	12 319	20 457	12 019
5.1	Accounts receivable (for which payments are expected more than 12 months after the reporting date)	12301	76 806	6 516	9 760
5.1	Accounts receivable (for which payments are expected within 12 months after the reporting date)	12302	1 015 289	577 919	1 115 862
	including:				
	<i>buyers and customers</i>	12303	736 677	524 480	1 018 101
	<i>advance payments made</i>	12304	63 519	38 344	93 798
	equivalents)	1240	0	0	0
	Cash and cash equivalents	1250	123 322	172 741	1 588
	including:				
	<i>letter of credit</i>	12501	0	0	0
	<i>deposit</i>	12502	0	0	0
	Other current assets	1260	37	24	27
	Total for section II	1200	1 864 892	1 257 688	1 758 796
	BALANCE	1600	4 169 169	3 675 085	4 234 167

Explanations	Indicator Name	Code	As of <u>31 December</u> 20 <u>17</u>	As of <u>31 December</u> 20 <u>16</u>	As of <u>31 December</u> 20 <u>15</u>
	EQUITY AND LIABILITIES				
	III. EQUITY AND PROVISIONS				
10.6	Charter capital (contributed capital, charter fund, contributions of partners)	1310	286	286	286
	Own shares redeemed from shareholders	1320	(0)	(0)	0)
20	Revaluation of non-current assets	1340	298 605	311 397	321 957
	Added capital (without revaluation)	1350	0	0	0
	Reserve capital	1360	14	14	72
17; 20	Retained profit (uncovered loss)	1370	342 812	322 769	415 856
	Total for section III	1300	641 717	634 466	738 171
	IV. LONG-TERM LIABILITIES				
22	Borrowed funds	1410	2 226 507	1 582 467	1 960 567
17	Deferred tax liabilities	1420	105 068	104 098	94 200
	Estimated liabilities	1430	0	0	0
	Other liabilities	1450	0	1	1
	Total for section IV	1400	2 331 575	1 686 566	2 054 768
	V. SHORT-TERM LIABILITIES				
22	Borrowed funds	1510	926 445	999 576	249 394
5.3	Accounts payable	1520	100 162	287 022	1 164 561
	including:				
	<i>suppliers and contractors</i>	15201	29 963	199 384	1 021 496
	<i>indebtedness to the organization's personnel</i>	15202	15 329	20 168	22 399
	<i>indebtedness to state off-budget funds</i>	15203	1 237	10 318	60 746
	<i>indebtedness on taxes and levies</i>	15204	13 978	18 116	26 743
	<i>advance payments received</i>	15205	2 652	9 579	4 462
	<i>other creditors</i>	15206	37 003	29 457	28 715
	Incomes of future periods	1530	2 217	3	0
7	Estimated liabilities	1540	167 053	67 452	27 273
	Other liabilities	1550	0	0	0
	Total for section V	1500	1 195 877	1 354 053	1 441 228
	BALANCE	1700	4 169 169	3 675 085	4 234 167

Chief Executive

D.V. Boldov

(signature)

(signed by)

" 28 " March 20 18

Statement of Comprehensive Income

for the Year of 20 17

Entity Public Joint-Stock Company Biosintez Form acc. to OKUD
 Taxpayer individual number _____ Date (day,month,year)
 Type of economic activities _____ OKPO 00480550
 _____ TIN 5834001025
 _____ Production of drugs _____ OKVED 21.20.1
 Organizational and legal form / ownership form OJSC/Private Ownership
 _____ OKOPF/OKFS
 Unit of measurement: RUR '000 _____ OKEI

Codes	
0710002	
00480550	
5834001025	
21.20.1	
12247	16
384	

Explanation s	Indicator Name	Code	For the year of 20 17	For the year of 20 16
23	Revenues	2110	2 621 634	2 925 057
	including from sale of medical products of own production	2111	2 577 822	2 868 565
6; 23	Cost of sales	2120	(1 714 783)	(2 114 136)
	including from sale of medical products of own production	2121	(1 694 423)	(2 089 680)
23	Gross Profit (Loss)	2100	906 851	810 921
6; 23	Selling expenses	2210	(73 134)	(66 258)
6; 23	Administrative expenses	2220	(203 105)	(206 022)
	Profit (loss) of sales	2200	630 612	538 641
	Income from participation in other organizations	2310		
	Interest receivable	2320	2 995	93
17	Interest payable	2330	(213 871)	(176 963)
23	Other incomes	2340	84 150	133 855
23	Other expenses	2350	(432 317)	(594 894)
	Profit (loss) before tax	2300	71 569	(99 268)
24	Current profit tax	2410	(33 796)	(0)
	including permanent tax liabilities (assets)	2421	49 640	14 953
17	Changes in deferred tax liabilities	2430	(947)	(9 862)
	Changes in deferred tax assets	2450	(29 212)	14 763
24	Other items	2460	(363)	(9 338)
17	Net Profit (Loss)	2400	7 251	(103 705)

Explanations	Indicator Name	Code	For the year of 20 <u>17</u>	For the year of 20 <u>16</u>
	FOR REFERENCE ONLY			
	Surplus on revaluation of non-current assets not included in net profit (loss) for the period	2510	-	-
	Surplus on other operations not included in net profit (loss) for the period	2520	()	()
	Comprehensive income for the period	2500	7 251	(103 705)
25	Basic earnings (loss) per share	2900		
25	Diluted profit (loss) per share	2910		

Chief Executive _____ D. V. Boldov _____
 (signature) (signed by)

" 28 " March 20 18

(round seal)

Equity change statement 20 17

Organization _____ **Public Joint-Stock Company Biosintez**
 Taxpayer Identification Number _____
 Economic activity _____ manufacture of drugs
 Legal form of organization / ownership form _____ Public Joint-Stock Company / private property
 Measurement unit: thous. Rubles

Codes	
0710003	
00480550	
5834001025	
21.20.1	
12247	16
	384

OKUD form _____
 Date (dd/mm/yyyy) _____
 OKPO _____
 TIN _____
 OKVED _____
 OKOPF/OKFS _____
 OKEI _____

1. Dynamics of equity

Index name	Code	Equity capital	Treasury shares	Capital surplus	Capital reserves	Retained profit (outstanding loss)	Total
Capital value as of December 31 20 15	3100	286	(0)	321 957	72	415 856	738 171
Over 20 16							
Capital increase - total:	3210					0	0
including:							
net profit	3211	x	x	x	x	0	0
revaluation of assets	3212	x	x		x		
earnings referred directly to the capital increase	3213	x	x		x		
additional issuance of shares	3214				x	x	
increase of nominal value of shares	3215				x		x
reorganization of the legal entity	3216						

Index name	Code	Equity capital	Treasury shares	Capital surplus	Capital reserves	Retained profit (outstanding loss)	Total
Capital reduction — total: including:	3220	()		()	()	(103705)	(103705)
loss	3221	x	x	x	x	(103705)	(103705)
revaluation of assets	3222	x	x	()	x	()	()
expenditures referred directly to the capital reduction	3223	x	x	()	x	0	0
reduction of nominal value of shares	3224	()			x	()	()
reduction of the number of shares	3225	()			x	()	()
reorganization of the legal entity	3226						()
dividends	3227	x	x	x	x	()	()
Changes of the capital surplus	3230	x	x	(10560)		10 560	x
Changes of the capital reserves	3240	x	x	x	(58)	58	x
Sale of own shares	32451	x		x			()
Capital value as of December 31	20 16	286	(0)	311 397	14	322 769	634 466
Over 20 17							
Capital increase - total: including:	3310	0	0	0	0	7 251	7 251
net profit	3311	x	x	x	x	7 251	7 251
revaluation of assets	3312	x	x		x		
earnings referred directly to the capital increase	3313	x	x		x		
additional issuance of shares	3314				x	x	x
reorganization of the legal entity	3315				x		x
reorganization of the legal entity	3316						
Capital reduction — total: including:	3320	(0)	(0)	(0)	(0)	(0)	(0)
loss	3321	x	x	x	x	(0)	(0)
revaluation of assets	3322	x	x	()	x	()	()
expenditures referred directly to the capital reduction	3323	x	x	()	x	()	()
reduction of nominal value of shares	3324	()			x	()	()
reduction of the number of shares	3325	()			x	()	()
reorganization of the legal entity	3326						()
dividends	3327	x	x	x	x	()	()
Changes of the capital surplus	3330	x	x	(12792)		12 792	x
Changes of the capital reserves	3340	x	x	x	()	()	x
Capital value as of December 31	20 17	286	(0)	298 605	14	342 812	641 717

2. Adjustments due to changes of the accounting policy and correction of errors

Index name	Code	As of December 31		Equity change over		As of December 31
		20 15	20 16	due to net profit (loss)	due to other factors	
Capital - total						
before adjustments	3400	770 635	(29 279)	0		741 356
adjustment due to:	3410					
changes of the accounting policy	3420	(32 464)	(74 426)	0		(106 890)
correction of errors	3500	738 171	(103 705)	0		634 466
after adjustments						
including:						
retained profit (outstanding loss):						
before adjustments	3401	448 320	(29 279)	10 618		429 659
adjustment due to:	3411					
changes of the accounting policy	3421	(32 464)	(74 426)	0		(106 890)
correction of errors	3501	415 856	(103 705)	10 618		322 769
after adjustments						
other capital items for which adjustments are made:						
(by item)						
before adjustments	3402	322 315	0	(10 618)		311 697
adjustment due to:	3412					
changes of the accounting policy	3422					
correction of errors	3502	322 315	0	(10 618)		311 697
after adjustments						

3. Net assets

Index name	Code	As of December 31 20 17	As of December 31 20 16	As of December 31 20 15
Net assets	3600	643 934	634 469	738 171

Chief Executive _____ D.V. Boldov
(signature) (spelled-out name)

« 28 » of March 20 18

**Cash flow statement
over the year 20 17**

Organization Public Joint-Stock Company Biosintez
 Taxpayer Identification Number _____
 Economic activity manufacture of drugs
 Form of incorporation / ownership form Public Joint-Stock Company
private property
 Measurement unit: thous. rubles

OKUD form
 Date (dd/mm/yyyy) _____
 OKPO
 TIN
 OKVED
 OKOPF/OKFS
 OKEI

Codes	
0710004	
00480550	
5834001025	
21.20.1	
12247	16
384	

Index name	Code	Over the year	Over the year
		20 17	20 16
Cash flows from current transactions			
Proceeds - total	4110	2 031 393	2 738 765
including:			
from sale of products, merchandise, works and services	4111	2 022 017	2 464 415
from lease payments, license payments, royalties, commissions and other similar payments	4112	731	1 017
from re-sale of financial investments	4113	-	-
other proceeds	4119	8 645	273 333
incl., from related companies (San Pharma (Netherlands BV))	41191	-	260 797
Payments - total	4120	(2 458 960)	(2 815 318)
including:			
to suppliers (contractors) for raw and other materials, works and services	4121	(1 648 700)	(1 917 650)
due to the workers' remuneration	4122	(561 956)	(625 515)
of debenture interests	4123	(10 312)	(157 278)
of organization profits tax	4124	(40 303)	(-)
interest on debt obligations of related companies (sun Pharma (Netherlands BV))	41251	(104 952)	(-)
other payments	4129	(92 737)	(114 875)
Balance of cash flows from current transactions	4100	(427 567)	(76 553)

Index name	Code	Over the year 20 17	Over the year 20 16
Cash flows from investment transactions			
Proceeds - total	4210	-	3 262
including:			
from sale of non-current assets (except financial investments)	4211	-	3 262
from sale of other organizations' shares (participation interests)	4212	-	-
from repayment of granted loans, from sale of debt securities (cash entitlement towards other entities)	4213	-	-
dividends, interest on debt financing and similar proceeds from participation interest in other organizations	4214	-	-
other proceeds	4219	-	-
Payments - total	4220	(108 073)	(114 737)
including:			
due to purchase, creation, upgrade, reconstruction of non-current assets and their preparation for use	4221	(108 073)	(83 020)
due to purchase of other organizations' shares (participation shares)	4222	(-)	(-)
due to purchase of debt securities (cash entitlements towards other entities), granting loans to other entities	4223	(-)	(-)
interests on debentures included into the investment asset value	4224	(-)	(31 717)
other payments	4229	(-)	(-)
Balance of cash flows from investment transactions	4200	(108 073)	(111 475)
Cash flows from financial transactions			
Proceeds - total	4310	624 000	1 218 721
including:			
reception of credits and loans	4311	-	651 369
cash investments of owners (participants)	4312	-	-
from issuance of shares and increase of participation interests	4313	-	3 568
from issuance of debenture bonds, promissory notes and other debt securities and similar	4314	-	-
obtaining credits and loans from related companies (San Pharma (Netherlands BV))	43151	624 000	563 784
other proceeds	4319	-	-

Index name	Code	Over the year 20 17	Over the year 20 16
Payments - total	4320	(137 333)	(859 333)
including:			
to owners (participants) due to purchasing from them shares (participation interests) of the organization or their resignation from participation	4321	(-)	(-)
to pay dividends and make other payments for profit allocation in favor of owners (participants)	4322	(-)	(-)
due to a pay-off (pay-out) of promissory notes and other securities, repayment of credits and loans	4323	(137 333)	(859 333)
other payments	4329	(-)	(-)
Balance of cash flows from financial transactions	4300	486 667	359 388
Balance of cash flows over the reporting period	4400	(48 973)	171 360
Opening cash and cash equivalent balance	4450	172 741	1 588
Closing cash and cash equivalent balance	4500	123 322	172 741
Scope of the effect of the exchange rate changes	4490	(446)	(207)

Chief Executive _____ D.V. Boldov
 (signature) (spelled-out name)

" 28 " of March 20 18

**Explanatory notes to the accounting balance sheet
and P&L statement (thous. rubles)**

**1. Intangible assets and expenditures for scientific research,
design and experimental, and technological words (R&D)**

1.1. Availability and flow of intangible assets

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Index name	Code	Period	As of the year beginning		Changes over the period						As of the period end		
			initial value	accumulated amortization and losses from impairment	entered	withdrew		accrued amortization	loss from impairment	revaluation		initial value	accumulated amortization and losses from impairment
						initial value	accumulated amortization and losses from impairment			initial value	accumulated amortization		
Intangible assets - total	5100	20 <u>17</u> r.	5393	(2629)	79	(65)	65	(335)	0	0	0	5407	(2899)
	5110	20 <u>16</u> r.	5875	(2860)	122	(604)	604	(373)	0	0	0	5393	(2629)
including:	5101	20 <u>17</u> r.	3444	(1098)	0	(0)	0	(231)	0	0	0	3444	(1329)
<i>Invention patents</i>	5111	20 <u>16</u> r.	3444	(866)	0	(0)	0	(232)	0	0	0	3444	(1098)
	5102	20 <u>17</u> r.	65	(56)	0	65	65	(9)	0	0	0	0	(0)
<i>Audio and video compositions</i>	5112	20 <u>16</u> r.	65	(35)	0	0	0	(21)	0	0	0	65	(56)
	5103	20 <u>17</u> r.	1884	(1475)	79	(0)	0	(95)	0	0	0	1963	(1570)
<i>Trademark and service mark</i>	5113	20 <u>16</u> r.	2366	(1959)	122	(604)	604	(120)	0	0	0	1884	(1475)

1.2. Initial value of intangible assets created by the organization itself

Index name	Code	As of December 31		As of December 31	
		20 <u>17</u>	20 <u>16</u>	20 <u>16</u>	20 <u>15</u>
Total	5120	5407	5328	5810	5810

1.3. Intangible assets with a fully repaid value

Index name	Code	As of December 31		As of December 31	
		20 17	20 16	20 15	20 15
Total	5130	1206	1206		187

1.4. Availability and dynamics of R&D outcomes

Index name	Code	Period	As of the year beginning		entered	Changes over the period			As of the period end	
			initial value	part of the value written off for expenditures		initial value	withdrew	part of the value written off for expenditures over the period	initial value	part of the value written off for expenditures
R&D - total	5140	20 17 r.	13117	(3813)	3219	(1659)	1659	(3570)	14677	(5724)
	5150	20 16 r.	14786	(6547)	4185	(5854)	5854	(3120)	13117	(3813)
including:	5141	20 17 r.	13117	(3813)	3219	(1659)	1659	(3570)	14677	(5724)
<i>Technologies of manufacture of a new product type</i>	5151	20 16 r.	14786	(6547)	4185	(5854)	5854	(3120)	13117	(3813)

1.5. Incomplete and undocumented R&D and incomplete transactions of purchasing intangible assets

Index name	Code	Period	As of the year beginning	Changes over the period			As of the period end
				expenditures over the period	expenditures written off as those having yielded no positive result	reflected in accounting books as intangible assets or R&D	
Expenditures for incomplete research and developments - total	5160	20 17 r.	85 879	16 672	(58 583)	(3219)	40 749
	5170	20 16 r.	69 894	21 466	(1 296)	(4185)	85 879
including: <i>Technology of manufacture of a new product type</i>	5161	20 17 r.	85 879	16 672	(58 583)	(3219)	40 749
	5171	20 16 r.	69 894	21 466	(1 296)	(4185)	85 879
Incomplete transactions of purchasing intangible assets - total	5180	20 17 r.	45	34	(0)	(79)	0
	5190	20 16 r.	57	110	(0)	(122)	45
including: <i>Invention patents</i>	5181	20 17 r.	0	0	(0)	(0)	0
	5191	20 16 r.	0	0	(0)	(0)	0
<i>Trademark and service mark</i>	5182	20 17 r.	45	34	(0)	(79)	0
	5192	20 16 r.	57	110	(0)	(122)	45

2. Fixed assets

2.1. Availability and dynamics of fixed assets

Index name	Code	Period	As of the year beginning		Changes over the period						As of the period end	
			initial value	accumulated amortization	entered	withdrawn items		accrued amortization	revaluation		initial value	accumulated amortization
						initial value	accumulated amortization		initial value	accumulated amortization		
Fixed assets (without profitable investments into tangible assets) - total	5200	20 17 r.	2 944 880	(1 054 374)	26 890	(38 552)	24 810	(127 256)			2 933 218	(1 156 820)
	5210	20 16 r.	2 905 186	(950 820)	75 562	(35 868)	29 966	(133 520)			2 944 880	(1 054 374)
Including: Buildings	5201	20 17 r.	1 337 840	(339 237)	1 634	(19 999)	6 496	(32 284)			1 319 475	(365 025)
	5211	20 16 r.	1 337 840	(306 931)		()		(32 306)			1 337 840	(339 237)
Structures and transmissive devices	5202	20 17 r.	72 018	(62 706)	934	(333)	333	(1 201)			72 619	(63 574)
	5212	20 16 r.	84 178	(70 867)	0	(12 160)	9 513	(1 352)			72 018	(62 706)
Machines and equipment	5203	20 17 r.	1 475 825	(619 853)	24 322	(17 997)	17 758	(90 899)			1 482 150	(692 994)
	5213	20 16 r.	1 422 902	(542 577)	75 562	(22 639)	19 466	(96 742)			1 475 825	(619 853)
Vehicles	5204	20 17 r.	28 751	(21 463)	0	(9)	9	(2 518)			28 742	(23 972)
	5214	20 16 r.	28 908	(18 883)	0	(157)	149	(2 729)			28 751	(21 463)
Production and household equipment	5205	20 17 r.	12 016	(11 115)	0	(214)	214	(354)			11 802	(11 255)
	5215	20 16 r.	12 928	(11 562)	0	(912)	838	(391)			12 016	(11 115)
Land plots	5206	20 17 r.	18 430	(0)	0	(0)	0	(0)			18 430	(0)
	5216	20 16 r.	18 430	(0)	0	(0)	0	(0)			18 430	(0)

2.2. Incomplete capital investments

Index name	Code	Period	As of the year beginning	Changes over the period			As of the period end
				expenditures over the period	written off	accounted for in the balance as fixed assets or the value is increased	
Incomplete constructions and incomplete transactions for purchase, upgrade, etc. of fixed assets - total	5240	20 17 r.	214 669	51 501	(1 686)	(25 256)	239 228
	5250	20 16 r.	232 407	79 039	(21 975)	(74 802)	214 669
including: Buildings	5241	20 17 r.	44 576	26 135	(0)	(0)	70 711
	5251	20 16 r.	25 619	29 808	(10 851)	(0)	44 576
Structures and transmissive devices	5242	20 17 r.	0	934	(0)	(934)	0
	5252	20 16 r.	0	0	(0)	(0)	0
Machines and equipment	5243	20 17 r.	170 093	24 432	(1 686)	(24 322)	168 517
	5253	20 16 r.	206 788	49 231	(11 124)	(74 802)	170 093
Vehicles	5244	20 17 r.	0	0	(0)	(0)	0
	5254	20 16 r.	0	0	(0)	(0)	0
Production and household equipment	5245	20 17 r.	0	0	(0)	(0)	0
	5255	20 16 r.	0	0	(0)	(0)	0

2.3. Changed value of fixed assets as a consequence of finishing construction, finishing equipping, reconstruction and partial dismantlement

Index name	Code	Over 20 17	Over 20 16
Increase of the value of fixed asset items as a consequence of finishing construction, finishing equipping and reconstruction - total	5260	934	73
including: <i>buildings</i>	5261		
<i>machines and equipment</i>	5262		73
<i>structures and transmissive devices</i>	5264	934	
Decrease of the value of fixed asset items as a consequence of partial dismantlement - total:	5270	(333)	(2 724)
В ТОМ ЧИСЛЕ: <i>structures and transmissive devices</i>	5271	(333)	(2 724)

2.4. Other uses of fixed assets

Index name	Code	As of December 31 20 17	As of December 31 20 16	As of December 31 20 15
Leased out fixed assets that are on the balance	5280	107	62	6 325
Leased out fixed assets that are outside the balance	5281			
Received for lease fixed assets that are on the balance	5282			
Received for lease fixed assets that are outside the balance	5283			41 043
Property items that are accepted into service and actually used and are undergoing the state registration	5284			
Fixed assets transferred for conservation	5285	107 111	120 783	121 339
Other uses of fixed assets (mortgage, etc.)	5286	1 614 057	1 717 616	1 783 249
Fixed assets on restoration	5287	7 065	7 065	7 065

3. Financial investments

3.1. Availability and dynamics of financial investments

Index name	Code	Period	As of the year beginning		Changes over the period				As of the period end		
			initial value	accumulated adjustment	entered	withdrawn (repaid)		interest accrual (including bringing the initial value up to the nominal value)	current market value (losses from impairment)	initial value	accumulated adjustment
						initial value	accumulated adjustment				
Long-term - total		20 17 r.	2 000	(931)	0	(0)	0	931	2 000	(0)	
	5311	20 16 r.	2 000	(0)	0	(0)	0	(931)	2 000	(931)	
including:	5302	20 17 r.	0	(0)	0	(0)	0	0	0	(0)	
<i>investments into equity capital</i>	5312	20 16 r.	0	(0)	0	(0)	0	0	0	(0)	
<i>shares</i>	5303	20 17 r.	2 000	(931)	0	(0)	0	931	2 000	(0)	
	5313	20 16 r.	2 000	(0)	0	(0)	0	(931)	2 000	(931)	
Short-term - total		20 17 r.									
	5315	20 16 r.									
including:		20 17 r.									
<i>(group, type)</i>		20 16 r.									
etc.											
Financial investments - total	5300	20 17 r.	2 000	(931)		(0)		931	2 000	(0)	
	5310	20 16 r.	2 000	(0)		(0)		(931)	2 000	(931)	

3.2. Other uses of financial investments

Index name	Code	As of December 31 20 17	As of December 31 20 16	As of December 31 20 15
Financial investments presently pledged - total	5320	0	0	0
Financial investments handed over to third parties (except sale) - total	5325	0	0	0
Other use of financial investments	5329	0	0	0

4. Stock

4.1. Availability and dynamics of stock

Index name	Code	Period	As of the year beginning		Changes over the period				As of the period end		
			prime cost	amount of reserve for value reduction	receipts and expenditures	withdrawn	losses from value reduction	turnover of stock between its groups (types)	prime cost	amount of reserve for value reduction	
Stock - total (group, type)	5400	3a 20 17 r.	488 634	(8 603)	1 988 313	(1 814 072)	(17 153)		x	662 875	(25 756)
	5420	3a 20 16 r.	626 946	(7 406)	2 094 462	(2 232 774)	(1 197)		x	488 634	(8 603)
including: raw and other materials	5401	3a 20 17 r.	255 547	(6 107)	1 250 643	(23 675)	(13 907)		(1 102 127)	380 388	(20 014)
	5421	3a 20 16 r.	272 738	(7 406)	1 314 862	(28 881)	1 299		(1 303 172)	255 547	(6 107)
expenditures in incomplete manufacture	5402	3a 20 17 r.	30 914	(10)	731 554	(85 466)	(2 150)		(610 894)	66 108	(2 160)
	5422	3a 20 16 r.	76 660	(0)	770 098	(102 089)	(10)		(713 755)	30 914	(10)
finished products and merchandise for resale	5403	3a 20 17 r.	197 867	(2 486)	4 749	(1 183 308)	(1 096)		1 195 704	215 012	(3 582)
	5423	3a 20 16 r.	270 811	(0)	5 196	(1 503 537)	(2 486)		1 425 397	197 867	(2 486)
other expenditures	5404	3a 20 17 r.	4 306	(0)	1 367	(521 623)	0		517 317	1 367	(0)
	5424	3a 20 16 r.	6 737	(0)	4 306	(598 267)	0		591 530	4 306	(0)

4.2. Pledged stock

Index name	Code	As of December 31 20 17	As of December 31 20 16	As of December 31 20 15
Stock that is unpaid as of the reporting date - total	5440	0	0	0
Stock that is pledged under an agreement - total	5445	0	0	0
including: finished products	5446	0	0	0

5. Receivables and payables
5.1. Availability and dynamics of receivables

Index name	Code	Period	As of the year beginning		Changes over the period										As of the period end	
			discounted receivables under contractual terms	doubtful debts provision scope	entered	withdrew	repayment	write-off for financial outcome	provision recovery	write-off on the account of provision amounts	provision formation	transfer from long-term to short-term receivables	discounted receivables under contractual terms	doubtful debts provision scope		
Long-term receivables - total	5501	20 17 r.	6 516	(0)	2 516	0	(1 514)	(0)	0	(0)	0	(0)	0	69 288	76 806	(0)
	5521	20 16 r.	9 760	(0)	1 377	0	(4 732)	(0)	0	(0)	0	(0)	0	111	6 516	(0)
including: on other settlements with personnel	5502	20 17 r.	77	(0)	0	0	(75)	(0)	0	(0)	0	(0)	(0)	2	(0)	(0)
	5522	20 16 r.	756	(0)	85	0	(764)	(0)	0	(0)	0	(0)	0	77	(0)	(0)
including: other receivables	5503	20 17 r.	0	(0)	0	0	(0)	(0)	0	(0)	0	(0)	69 288	69 288	(0)	(0)
	5523	20 16 r.	0	(0)	0	0	(0)	(0)	0	(0)	0	(0)	(0)	0	(0)	(0)
Short-term receivables - total	5504	20 17 r.	6 439	(0)	2 516	0	(1 439)	(0)	0	(0)	0	(0)	(0)	7 516	(0)	(0)
	5524	20 16 r.	9 004	(0)	1 292	0	(3 968)	(0)	0	(0)	0	(0)	111	6 439	(0)	(0)
including: on settlements with buyers and customers	5510	20 17 r.	596 596	(18 677)	1 025 649	3 649	(507 863)	(0)	0	(167)	0	(0)	(69 288)	1 048 576	(33 287)	(0)
	5530	20 16 r.	1 122 559	(6 697)	577 831	9 644	(1 113 113)	(0)	214	(214)	214	(0)	(111)	596 596	(18 677)	(0)
including: settlements on paid out advances	5511	20 17 r.	543 157	(18 677)	752 029	0	(468 750)	(0)	(0)	(10)	(0)	(0)	(69 288)	757 138	(20 461)	(0)
	5531	20 16 r.	1 024 798	(6 697)	538 672	0	(1 020 313)	(0)	(0)	(0)	(0)	(0)	0	543 157	(18 677)	(0)
other receivables	5512	20 17 r.	38 344	(0)	62 182	0	(34 675)	(0)	(0)	(148)	(0)	(0)	(0)	65 703	(2 184)	(0)
	5532	20 16 r.	93 788	(0)	34 688	0	(89 887)	(0)	144	(144)	144	(0)	(111)	38 344	(0)	(0)
Total	5513	20 17 r.	15 095	(0)	211 438	3 649	(4 438)	(0)	(0)	(9)	(0)	(0)	0	225 735	(10 642)	(0)
	5533	20 16 r.	3 963	(0)	4 471	9 644	(2 913)	(0)	70	(70)	70	(0)	(0)	15 095	(0)	(0)
Itoro	5500	20 17 r.	603 112	(18 677)	1 028 165	3 649	(509 377)	(0)	0	(167)	0	(0)	14 777	1 125 382	(33 287)	(0)
	5520	20 16 r.	1 132 319	(6 697)	579 208	9 644	(1 117 845)	(0)	214	(214)	214	(0)	11 980	603 112	(18 677)	(0)

5.2. Overdue receivables

Index name	Code	As of _____ December 31 _____		As of December 31 20 16 _____		As of December 31 20 15 _____	
		discounted receivables under contractual terms	book value	discounted receivables under contractual terms	book value	discounted receivables under	book value
Total	5540	53 628	20 341	157 206	138 529	259 760	253 063
including: on settlements with suppliers and contractors (account 00)	5541	3 635	1 451	4 867	4 867	76 212	76 212
on settlements with buyers and customers (accounts 02)	5542	39 338	18 877	148 030	129 353	182 710	176 013
on settlements with miscellaneous debtors and creditors (account 70)	5543	10 655	13	4 309	4 309	838	838

5.3. Availability and dynamics of payables

Index name	Code	Period	Opening balance as of the year beginning	Changes over the period						Closing balance
				entered			withdrew			
				in consequence of economic transactions (transaction/operation debt amount)	due interest, penalties and other accruals	repayment	write-off for financial outcome	transfer from long- term to short-term payables		
Long-term payables - total	5551	20 17 r.	1 582 468	0	0	(0)	(1)	(644 040)	2 226 507	
	5571	20 16 r.	1 960 568	0	0	(358 060)	0	(20 040)	1 582 468	
including: long-term liabilities for credits and loans	5552	20 17 r.	1 582 467	0	0	(0)	0	644 040	2 226 507	
	5572	20 16 r.	1 960 567	0	0	(358 060)	0	(20 040)	1 582 467	
Short-term payables - total	5560	20 17 r.	1 286 598	769 159	4 730	(388 575)	(1 265)	(644 040)	1 026 607	
	5580	20 16 r.	1 413 955	1 004 431	1 088	(1 151 833)	(1 083)	20 040	1 286 598	
including: liabilities to suppliers and contractors	5561	20 17 r.	199 384	21 278	0	(189 527)	(1 172)	0	29 963	
	5581	20 16 r.	1 021 496	188 377	0	(1 009 447)	(1 042)	0	199 384	
including: tax and duty liabilities to the budget (account 68)	5562	20 17 r.	18 116	13 978	0	(18 116)	0	0	13 978	
	5582	20 16 r.	26 743	18 116	0	(26 743)	0	0	18 116	
including: obligatory insurance liabilities to extra- budgetary funds	5563	20 17 r.	10 318	1 237	0	(10 318)	0	0	1 237	
	5583	20 16 r.	60 746	10 318	0	(60 746)	0	0	10 318	
including: labor remuneration liabilities to the personnel	5564	20 17 r.	20 168	15 329	0	(20 168)	0	0	15 329	
	5584	20 16 r.	22 399	20 168	0	(22 399)	0	0	20 168	
including: liabilities to buyers and customers for received advance and pre-payment amounts	5565	20 17 r.	9 579	2 064	0	(8 956)	35	0	2 652	
	5585	20 16 r.	4 462	9 452	0	(4 330)	5	0	9 579	
including: short-term liabilities for credits and loans	5566	20 17 r.	999 576	708 242	0	(137 333)	0	(644 040)	926 445	
	5586	20 16 r.	249 394	730 142	0	(0)	0	20 040	999 576	
including: other liabilities	5566	20 17 r.	29 457	7 031	4 730	(4 157)	58	(0)	37 003	
	5586	20 16 r.	28 715	27 858	1 088	(28 168)	36	0	29 457	
Total	5550	20 17 r.	2 869 066	769 159	4 730	(388 575)	(1 266)	x	3 253 114	
	5570	20 16 r.	3 374 523	1 004 431	1 088	(1 509 893)	(1 083)	x	2 869 066	

5.4. Overdue payables

Index name	Code	As of December 31 20 17	As of December 31 20 16	As of December 31 20 15
Total	5590	17 593	31 711	828 231
including: on settlements with suppliers and contractors	5591	17 308	31 231	766 293
on liabilities to buyers and customers for received advance and pre-payment amounts	5592	0	28	0
on settlements with the budget and extra- budgetary funds	5593	0	0	49 542
on settlements with miscellaneous debtors and creditors	5594	285	452	12 396

6. Production expenditures

Index name	Code	20 17	20 16
Material expenditures	5610	1 233 876	1 519 473
Labor remuneration expenditures	5620	419 800	417 684
Social security contributions	5630	127 186	128 146
Amortization	5640	130 629	136 079
Other expenditures	5650	63 136	70 521
Total by element	5660	1 974 627	2 271 903
Balance change growth [-], depreciation [+]:			
of incomplete production, finished products and other (growth [-])	5670	(17 285)	
of incomplete production, finished products and other (depreciation [+])	5680		72 865
Total expenditures for core activities	5600	1 957 342	2 344 768

7. Estimated liabilities

Index name	Code	Opening balance as 31.12.2016	Acknowledged	Repaid	Written off as an excessive amount	Closing balance as 31.12.2017
Estimated liabilities - total	5700	67 452	332 419	(187 014)	(45 804)	167 053
<i>vacation pay provision</i>	5701	47 975	55 776	(56 871)	(0)	46 880
<i>remuneration provision</i>	5702	19 477	20 500	(0)	(19 477)	20 500
<i>the provision for payments to contractors</i>	5703	0	54 297	(25 401)	(22 725)	6 171
<i>the provision for payments to contractors the provision for payment of bonuses to</i>	5704	0	201 846	(104 742)	(3 602)	93 502
Index name	Code	Opening balance as 31.12.2015	Acknowledged	Repaid	Written off as an excessive amount	Closing balance as 31.12.2016
Оценочные обязательства - всего:	5700	27 273	98 272	(56 826)	(1 267)	67 452
<i>vacation pay provision</i>	5701	27 273	77 528	(56 826)	(0)	47 975
<i>remuneration provision</i>	5702	0	20 744	(0)	(1 267)	19 477

8. Liability securities

Index name	Code	As of December 31 20 17	As of December 31 20 16	As of December 31 20 15
Received - total	5800	34	479	1 351
<i>including: received securities for liabilities and payments</i>	5801	34	479	1 351
Issued - total	5810	2 014 847	2 030 084	2 384 142
<i>including: provided securities</i>	5811	2 014 847	2 030 084	2 034 142
<i>suretyship</i>	5813	0	0	350 000
<i>security of proprietary rights</i>	5814	0	0	0

9. Government assistance

Index name	Code	20 17	20 16
Budgetary funds received - total	5900	838	11 296
including: for operating expenditures	5901	0	0
for investments into non-current assets	5905	838	11 296
		На начало года	Возвращено за год
		Получено за год	На конец года
Budgetary credits - total	5910	0	(0)
	5920	0	(0)
including: (purpose)			()
etc.			()

10. About Biosintez, PJSC

- 10.1. Name: Public Joint-Stock Company "Biosintez" (Biosintez, PJSC).
- 10.2. Place of location and address: Druzhby str., 4, 440033, Penza, the Russian Federation
- 10.3. Principal activity - drug manufacturing
- 10.4. Average staff number – 1,573 persons.
- 10.5. Date of state registration: 26.11.1992 r., No. 414 the Zheleznodorozhny district administration of the city of Penza; 11.09.2002 primary state registration number 1025801102502 the Inspectorate of the Ministry of Taxation of Russia for the Zheleznodorozhny district of the city of Penza
- On December 16, 2008 Biosintez, PJSC is registered as a major taxpayer: Notice of the Inspectorate of the of the Federal Tax Service of the Russian Federation for the Zheleznodorozhny district of the city of Penza No.1067251 dated 16.12.2008
Taxpayer's Identification Number: 5834001025
- 10.6. The company's authorised capital is 286,283 rubles; it is divided into 214,712 ordinary equity shares and 71,571 preference equity shares with denomination of 1 ruble. From the date of the company establishment the amount of the authorized capital has not changed. The Company does not own shares.
The number of shareholders registered as of 31.12.2017 – 778.

11. About the auditor

BDO Unicon, JSC, Varshavskoye shosse, 125, bid. 1, section 11, 117587, Moscow. A member of the self-regulatory organization of auditors "Russian Association of Auditors" (Association) (SRO RAA), the Primary State Registration Number in the SRO register – 11603059593.

12. About the registrar of the Company:

Reestr, JSC, Bolshoi Balkansky pereulok, 20, bid. 1, Moscow. License No. 10 – 000 – 1 – 00254 dated 13.09.2002
Penza regional branch: Volodarskogo str., 47, Penza

13. Information on the activities of the Board of Directors:

The Board of Directors consists of 5 persons:
from 01.01.2017 to 31.12.2017

- Arvind Kumar
- Vivek Mittal
- Arvind Abrol
- Arun Kumar Rajput - the Chairman
- Voloshinov Aleksandr Borisovich

14. Executive management body - the Director General of Biosintez, PJSC:

from 01.01.17 to 31.12.17 – Boldov Dmitry Vasilievich

15. Information on the activities of the Audit Team of the Company:

The Audit Team consists of 3 persons:

- Manuilova L.A. - deputy chief accountant of Biosintez, PJSC
- Khivantseva Yu. V. - HR, administration and training director for Russia of Ranbaxy, JSC, Moscow
- Goroshenin A. A. - Head of the Legal Department of Biosintez, PJSC

Continuity of the Company's business

The Company has assessed the ability to continue its continuing business for at least 12 months following the reporting year.

The Company:

- performs successfully the production and economic activities. The financials reached by the Company in 2017 when performing its principal activity have been improved compared to similar financials for 2016;
- holds an unlimited license for drug manufacturing and sales;
- owns liquid assets that bring revenues;
- has no overdue tax liabilities;
- complies with the obligations to pay wages to its employees;
- has no claims from its creditors. The dynamics of changes in the debt obligations, indicates the ability to fulfill its obligations to its creditors;
- the company complies with all the requirements of the Federal Laws: "On Joint Stock Companies" (No. 208-FZ dated 26.12.1995) and "On State Registration of Legal Entities and Individual Entrepreneurs" (No. 129-FZ dated 08.08.2001) related to disclosure of information on value net assets of a legal entity. The Company has no signs of bankruptcy, determined by Art. 3 of the Federal Law "On Insolvency (Bankruptcy)" (No. 127-FZ dated 26.10.2002).

Therefore the Company's management takes the required measures to ensure the Company's ability to go on continue business and discharge its obligations. The Company has no intentions and the need for liquidation or significant reduction of its business. According to the management, the Company's accounting (financial) statements are prepared in accordance with the going concern assumption principle.

16. Basic provisions of the Accounting Procedure

Accounting in Biosintez, PJSC complies with the Russian accounting standards (the Law "On Accounting"). Accounting statements are developed by the Company based on the rules for accounting and reporting in force in the Russian Federation. The Accounting Procedure for 2017 is established by the Order No. 1080 dated 30.12.2016.

The fixed assets include assets with the value of more than 40,000 rubles, with the useful life of more than 12 months. The type of fixed assets evaluation is the initial cost. Accrual of depreciation of the fixed assets is calculated mainly by a linear method with respect to the equipment used for the principal activity - in proportion to the production of finished products. Depreciation of the land plots is not accrued. Revaluation of the fixed assets is not performed.

The method of accrual of depreciation of the intangible assets (ITA) is linear. The useful life of the ITA is determined on the basis of the entitling document (patents, licenses) validity periods.

Assets that meet the fixed asset recognition conditions, listed in clause 4 of the Russian Accounting Standard 6/01, and which cost per unit does not exceed 40,000 rubles, are accounted for inventories on the account 10 "Materials".

In-progress capital investments in the fixed asset facilities accounted on the accounts 08 "Investments in non-current assets" and 07 "Equipment to be installed", as well as advance payments as a part of the investment activities, are reported in section I "Non-current assets" of the balance sheet report in an individual line independently introduced by the Company 11852 "In-progress capital investments in fixed assets".

Investments in the ITA and R&D facilities accounted on the account 08/06 "Investments in non-current assets", as well as advance payments as a part of the investment activities, are reported in section I "Non-current assets" of the balance sheet report in an individual line independently introduced by the Company 11851 "In-progress and unexecuted R&D and in-progress transactions on acquisition of intangible fixed assets".

Inventories are accounted at the actual cost price, the physical resources transferred for production are valued at the unit cost of inventory. In-progress production and finished products are valued at actual production costs. The management costs and sales costs are not included in the production cost, but are recognized in full in the sales cost for the reporting period.

The special clothing includes the instruments of labor listed in the List of free-issued special clothes, special footwear and other personal protective equipment. The cost of overalls with epy service life of not more than 12 months is written off to the costs of the corresponding production (sales costs) as of the date of the special clothing transfer into service. The cost of the rest of the overalls is paid off by a linear method based on its useful life stipulated in the List of free-issued special clothes, special footwear and other personal protective equipment. Accounting for sales of products (works, services) is performed as of the date of the property ownership transfer under the contract.

For accounting purposes, conversion of the asset or a liability value expressed in foreign currency into rubles is performed at the rate of the Central Bank of the Russian Federation effective as of the date of the transaction in a foreign currency, the average exchange rate is not applied. Conversion of the value of bank notes denominated in foreign currency on the bank accounts into rubles is performed as of the date of the transaction in a foreign currency, as of the reporting date, and also as of the date when the exchange rate is changed. Additional borrowing costs are included in other expenses evenly during the term of the loan agreement.

The executed R&D costs are written-off by a linear method within the period established for this work, but not more than five years. The Company creates the following types of reserves: a provision for impairment of inventories and financial investments, a provision for bad debts, a provision for vacation payments, a provision for payment of remuneration based on work results for the year. To ensure reliability of these financial statements, a recognition of all assets and liabilities of the balance sheet was conducted and the results of the recognition are reported in the accounting records.

Changes in the Accounting Procedure for 2017 compared to 2016

As a result of changes in the composition of the Company's shareholders, the express recognition of expenses based on the estimated values was required. Therefore, in 2017, contributions to reserves were made: for payments to the contractors; for payments of benefits to the customers. Information on the estimated liabilities is disclosed in Table 7 of the notes. These changes decreased the profit and loss for the current year by the amount of 99,673 thousand rubles. Adjustments to previous accounting periods due to changes in the accounting procedure are not required.

17. Adjustments and other changes in the accounting

In 2017 the Company eliminated the material errors for 2015 and 2016 related to the initial records of interest on the investment loans as a part of the capital investment in the fixed assets for facilities that have already been commissioned earlier. The correction was made retrospectively - the reporting indicators for previous years were recalculated.

The balance sheet adjustment for the comparable period of 2015: line 11852 is reduced by 40,580 thousand rubles, line 1370 is reduced by 32,464 thousand rubles, line 1420 is reduced by 8,116 thousand rubles; for the comparable period of 2016: line 11852 was reduced by 133,613 thousand rubles, line 1370 was reduced by 106,890 thousand rubles, line 1420 was reduced by 26,723 thousand rubles.

The profit and loss report adjustments for the comparable period of 2016: line 2330 is increased by 93,033 thousand rubles, line 2430 is increased by 18,607 thousand rubles. Thus, based on the results of 2016, the loss is increased by 74,426 thousand rubles and amounted to 103,705 thousand rubles.

Adjustments in the Statement of Changes in Equity due to elimination of material errors for 2015 and 2016 are recorded on page 3. In the Cash Flow Statement, the indications for 2016 in lines 4123 and 4224 were adjusted by 92,880 thousand rubles.

18. Intangible assets

The useful life of intangible assets is determined. Changes in the useful lives and methods of accrual of the ITA depreciation during the reporting period were not made.

19. Research and development results

The Company performs the R&D activities related to development of new medicines and improvement of their production technology, the R&D results are used within the Company.

20. Fixed assets

The fixed asset useful lives adopted in the Company:

- buildings from 15 to 86 years
- installations and transmission facilities from 5 to 50 years
- machinery and equipment from 1 to 30 years
- vehicles from 4 to 15 years
- production and household equipment from 3 to 30 years
- land plots not specified

Revaluations of non-current assets during the reporting year were not performed, the line 1340 of the Balance Sheet Report contains decreased amounts of increases in the value of the disposed assets for the previous year and posted to the retained earnings for the previous years (page 1370) - 12 792 thousand rubles.

4 premises with a residual value of 107 thousand rubles were rented.

The line 5286 of the notes indicates the fixed assets in the pledge with the residual value in amount of 1,614,057 thousand rubles, and section 31 of these notes indicates the pledge value of the fixed assets in amount of 1,992,165 thousand rubles.

21. Financial investments

Long-term financial investments include registered common shares of Biopreparat, OJSC, Moscow: 800 shares - 5.8% with an initial cost of 2,000 thousand rubles. As of December 31, 2017, the financial investment impairment test was conducted. Based on the test results, the estimated value was higher than the initial one. According to clause 21 of the Russian Accounting Standards 19/02, the initial value was recognized as the book value, the previously formed provision for impairment was restored. No other financial investments in 2017 were reported.

22. Borrowing costs

During 2016, loans from Ranbaxy, JSC, Moscow were raised in amount of 137,333 thousand rubles, from San Pharma (the Netherlands) B.V. in amount of 563,784 thousand rubles for replenishment of the current assets.

In December 2016, Sberbank of Russia assigned the debt on the long-term investment loans received in 2012-2013 and on the long-term loan for replenishment of current assets to San Pharma (the Netherlands) B.V., the total amount of assigned principal debt on the loans is 1,602,507 thousand rubles.

During 2017, tranches were selected for the loan from San Pharma (the Netherlands) B.V. in amount of 624,000 thousand rubles for replenishment of current assets, as of December 31, 2017, a limit on the loan in amount of 1,065,500 thousand rubles is available. Interest payable to the lender (creditor), to be included in the value of investment assets, is not available. Maturity of the borrowed funds: December, 2018 - January, 2024.

Creditor	Supporting document	Maturity date	Interest rate, %	Balance as of 31.12.2017	Balance as of 31.12.2016	Balance as of 31.12.2015	
	2	3	4	5	6	7	8
MFDPK BIOTEC, CJSC /SUN PHARMA	Loan agreement No. 15-BIO-509 29.07.2015/Agreement w/o No. 07.06.2017(17-BIO-225)	31.12.2018	to 31.12.2016 - 0%; from 01.01.2017 - 7.5%	252 098	252 098	247 000	principal amount of the loan
MFDPK BIOTEC, CJSC /SUN PHARMA	Loan agreement No. 15-BIO-509 29.07.2015/Agreement w/o number dated 07.06.2017(17-BIO-226)	30.07.2018	to 31.12.2016 - 0%; from 01.01.2017 - 7.5%	10 101			Interests
The Russian Regional Development Bank	Loan agreement 981-K-15 25.09.2015	01.09.2017	Key interest rate + 4.5% (15.5%)			278 000	principal amount of the loan
SBERBANK / SUN PHARMA	Loan agreement 1142 05.09.2012/Agreement w/o No. dated 07.06.2017 (17-BIO-225)	31.01.2024	from 01.01.15 to 10.12.15 - 4.9%; from 11.12.15 to 31.12.15 - 11.2%; from 01.01.16 to 19.02.16 - 11.2%; from 20.02.16 to 31.12.16 - 15.5%; from 01.01.17 - 7.5%	181 118	181 118	181 118	principal amount of the loan
SBERBANK / SUN PHARMA	Loan agreement 1142 05.09.2012/Agreement w/o No. dated 07.06.2017 (17-BIO-225)	25.01.2017	to 31.12.2015 - 4.9%; SB + 6 month Libor + 2.6% ING (from 01.01.15 to 10.12.15 - 4.9%; from 11.12.15 to 31.12.15 - 11.2%); from 01.01.16 to 19.02.16 - 11.2%; from 20.02.16 to 31.12.16 - 15.5%		2 761	334	Interests
SBERBANK / SUN PHARMA	Loan agreement 1143 05.09.2012/Agreement w/o No. dated 07.06.2017 (17-BIO-225)	31.01.2024	to 31.12.2015 - 5%; from 01.01.16 to 28.02.16 - 5.75; from 01.03.16 to 15.06.16 - 6.76%; from 16.06.16 to 20.12.16 - 7.71%; from 21.12.16 to 31.12.16 - 15.5%; from 01.01.17 - 7.5%	1 101 349	1 101 349	1 101 349	principal amount of the loan
SBERBANK / SUN PHARMA	Loan agreement 1143 05.09.2012/Agreement w/o No. dated 07.06.2017 (17-BIO-225)	30.07.2018	to 31.12.2015-5% SB + 6-month Libor + 2.9% ING (5%); from 01.01.16 to 28.02.16 - 5.75; from 01.03.16 to 15.06.16 - 6.76%; from 16.06.16 to 20.12.16 - 7.71%; from 21.12.16 to 31.12.16 - 15.5%		10 931	905	Interests
SBERBANK / SUN PHARMA	Loan agreement 1144 05.09.2012/Agreement w/o No. dated 07.06.2017 (17-BIO-225)	31.01.2024	to 19.02.16 - 11.5%; from 20.02.16 to 31.12.16 - 15.5%; from 01.01.17 - 7.5%	300 000	300 000	300 000	principal amount of the loan

1	2	3	4	5	6	7	8
SBERBANK / SUN PHARMA	Loan agreement 1144 05.09.2012/Agreement w/o No. dated 07.06.2017 (17-BIO-225)	25.01.2017	from 01.01.16 to 19.02.16 - 11.5%; from 20.02.16 to 31.12.16 - 15.5%		4 574	567	Interests
SBERBANK / SUN PHARMA	Loan agreement 52 30.05.2014/Agreement w/o No. dated 07.06.2017 (17-BIO-225)	31.01.2024	13.4%; from 01.01.17 - 7.5%	20 040	20 040	100 100	principal amount of the loan
SBERBANK / SUN PHARMA	Loan agreement 52 30.05.2014/Agreement w/o No. dated 07.06.2017 (17-BIO-225)	15.01.2017	from 01.01.15 to 30.03.15 - 10.4%; from 31.03.15 to 31.12.15 - 13.4%		117	588	Interests
SBERBANK / SUN PHARMA	Loan agreement 1142, 1143, 1144 dated 05.09.2012/Agreement w/o No. dated 07.06.2017 (17-BIO-225)	30.07.2018	from 01.01.17 - 7.5%	64 210			Interests
Ranbaxy, JSC	Loan agreement 16-BIO-324 04.03.2016	31.01.2017	Key interest rate + 2.5% (from 01.03.16 to 13.06.16 - 13.5%; from 14.06.16 to 18.09.16 - 13.0%; from 19.09.16 to 31.12.16 - 12.5%)		137 333		principal amount of the loan
Ranbaxy, JSC	Loan agreement 16-BIO-324 04.03.2016	31.01.2017			6 268		Interests
SUN PHARMA	Loan agreement without number 14.12.2016	06.11.2019	7.5%	624 000			principal amount of the loan
SUN PHARMA	Loan agreement without number 14.12.2016	27.12.2018	to 31.12.16 - 14%, from 01.01.2017 - 7.5%	300 000	300 000		principal amount of the loan
SUN PHARMA	Loan agreement without number 14.12.2016	30.07.2018	to 31.12.16 - 14%, from 01.01.2017 - 7.5%	25 682	459		Interests
SUN PHARMA	Loan agreement without number 14.12.2016	19.12.2018	to 31.12.16 - 14%, from 01.01.2017 - 7.5%	263 784	263 784		principal amount of the loan
SUN PHARMA	Loan agreement without number 14.12.2016	30.07.2018	to 31.12.16 - 14%, from 01.01.2017 - 7.5%	10 570	1 211		Interests
Total borrowings as of the reporting date:				3 152 952	2 582 043	2 209 961	

23. Revenues and expenses of the Company

2017

Name of activity	Revenues excluding VAT, thousand rubles	Cost of revenue, thousand rubles	Gross margin (loss), thousand rubles
Sales of medicines for export	619 202	517 317	101 885
Sales of medicines in the domestic market	1 958 620	1 177 106	781 514
Other sales of goods (works, services)	43 812	20 360	23 452
TOTAL	2 621 634	1 714 783	906 851

2016

Name of activity	Revenues excluding VAT, thousand rubles	Cost of revenue, thousand rubles	Gross margin (loss), thousand rubles
Sales of medicines for export	697 787	591 530	106 257
Sales of medicines in the domestic market	2 170 778	1 469 980	700 798
Other sales of goods (works, services)	56 492	52 626	3 866
TOTAL	2 925 057	2 114 136	810 921

Selling and marketing expenses

	2017	2016
Depreciation of fixed assets	0	1
The catering circulation costs	8 033	7 957
Taxes, fees, other mandatory payments	19	130
Expenses for the intellectual property rights	1 103	0
Costs for the current market research	0	2 317
Expenses for transportation of products to the destination	22 925	27 293
Expenses of finished goods warehouses	23 294	19 337
Non-capital expenditures related to improvement of technology, production organization	7 967	0
Advertising	1 196	2 446
Business trips and travel	337	843
Costs for the management apparatus	7 599	5 259
Maintenance of the fixed assets, inventory	72	15
Other selling and marketing expenses	589	660
	73 134	66 258

Management expenses	2017	2016
Depreciation of intangible assets and completed R&D	3 906	3 494
Depreciation of fixed assets	751	979
Capital repairs of fixed assets	0	262
Taxes, fees, other mandatory payments	9 390	7 706
Payment of sick leave according to the legislation	872	2 560
Facility security	15 769	11 833
Environment control	94	5 827
Occupational safety and health and environmental protection	2 413	3 344
Personnel training	3 690	4 326
Representational expenses	486	523
Audit costs	1 850	1 100
Costs for quality and certification	25	0
Non-capital expenditures related to improvement of technology, production organization	11 374	18 747
Expenses related to the urban landfill maintenance	426	797
Expenses of the raw material warehouses	7 600	17 448
Costs of shops that do not produce products	0	21
Business trips and travel	3 549	3 205
Costs for the management apparatus	116 017	99 303
Costs for general production facilities	13 124	16 020
Maintenance of the fixed assets, inventory	7 624	4 736
Current repair of fixed assets	1 771	2 565
Other management expenses	2 374	1 226
	203 105	206 022

Explanation of other revenues and expenses

Name of item 1	2017		2016	
	revenues (rubles) 2	expenses (rubles) 3	revenues (rubles) 4	expenses (rubles) 5
TOTAL	84 150	432 317	133 855	594 894
Donated transferred commodities/charitable contributions		691		5 887
Donated received commodities	55		14	
Income and expenses from sale of the fixed assets			1 314	
Income and expenses from write-off of the fixed assets		19 509		237
Income and expenses on sale and purchase of currency		1 101		491
Income and expenses from sale of the other assets	3 250		1 356	
Income and expenses for containers		41	562	
Valuables shortages and overages	41 810	1	1 390	151
Foreign exchange differences*	6 877		84 902	
Property tax		22 871		23 585
VAT not accepted for offset		53		147
Losses due to idle time				5 868
Profits and losses of previous years	-1 296	-1 090		2 014
Overdue accounts payable	1 265		1 083	
Royalty		1 037		1 717
Expenses and income of future periods		812		5 425
Расходы по списанию прочих активов		5 856		7 218
Social security funds		7 720		10 563
Provision for impairment of the value of investments in securities	931			931
Provision for impairment of tangible assets		16 067		1 197
Provision for impairment of the equipment to be installed		1 686		
Reserve for defect product write-off		1 088		
Provision for writing off R&D		58 584		
Provision for payment of remuneration based on annual work results	19 477		1 268	
Provision for vacation payments		4 835		29 046
Provision for doubtful debts		16 258		12 197
Provision for benefits to customers		93 502		
Bank services		14 838		84 931
Other income and expenses	6 770	2 419	6 751	26 128
Fines, penalties for legal expenses	3 649	4 730	34 273	14 456
Targeted financing (subsidiaries)			843	
Financial discount (benefit)	1 362	159 708	99	362 196
Results on transactions with securities and property rights				519

*The official exchange rate of foreign currency to the ruble, established by the Central Bank of the Russian Federation (CBRF) as of December 31, 2017 was: US dollar - 57.6202 rubles; euro - 68.8668 rubles.
The sum of lines 2120, 2210, 2220 in the Profit and Loss Report exceeds the line 5600 in the notes by 33,680 thousand rubles - expenses for other activities (except for production).

Line 2350 includes the sum of benefits granted to buyers in amount of 159,708 thousand rubles for achieving the volume of purchases determined by the terms of the Marketing Policy.

The amount of remuneration paid to key management personnel

The amount of remuneration paid to key management personnel in 2016 amounted to 14,818 thousand rubles, including: salaries, vacation payments for the reporting period - 12,053,000 rubles, compulsory payments to non-budgetary funds - 2,765,000 rubles.
The amount of remuneration paid to key management personnel in 2017 amounted to 21,693 thousand rubles, including: salaries, vacation payments for the reporting period - 17,224 thousand rubles, compulsory payments to non-budgetary funds accrued to them - 4,048 thousand rubles, payments at the end of the labor activities - 400 thousand rubles, compulsory payments to non-budgetary funds accrued to them - 21 thousand rubles

24. Profit tax calculation

Расходы (доходы) по налогу на прибыль	2017	2016
The amount of the provisional loss (provisional profit) tax expense	71 569	-99 268
Constant differences of the reporting period, resulting in adjustment of the provisional loss (provisional profit) tax expense in order to determine the current income tax	248 189	76 648
Constant differences of the previous reporting periods, resulting in adjustment of the provisional loss (provisional profit) tax expense in order to determine the current income tax	13	-1 882
Temporary differences in the reporting period, resulting in adjustment of the provisional loss (provisional profit) tax expense in order to determine the current income tax	-150 780	22 618
Temporary differences of the previous reporting periods, resulting in adjustment of the provisional loss (provisional profit) tax expense in order to determine the current income tax	-13	1 882
The amounts of the deferred tax liabilities that are not involved in the tax calculation, written-off for losses*	23*	36*

*Expenses specified in line 2460 of the profit and loss statement together with tax payment sanctions, form a net profit (loss).

Balance of payments of the profit tax	As of 31.12.2017	As of 31.12.2016	As of 31.12.2015
The amount of the deferred tax liability	105 068	104 098	94 200
Deferred tax asset amount	120 468	149 680	134 917

25. Earnings per share

For calculation of the basic (diluted) profit (loss) per share, the following indicators were used:

Indicators	2017	2016
Basic earnings (loss), rub.	7 179 013,88	-103 776 645,54
Weighted average number of common shares outstanding, pcs.	214 712	214 712
Basic earnings (loss) per share, rub.	33,44	-483,33
The value of the adjusted basic earnings (loss), rub.	7 250 584,88	-103 705 075,54
The value of the adjusted weighted average number of common shares, pcs.	286 283	286 283
Diluted earnings (loss) per share, rub.	25,33	-362,25

26. Related parties

List of related parties by 22.12.2016

Name (full name)	Location and postal address (place of residence)	The grounds on which the parties are related to the company	Date of the onset of the grounds on which the parties are considered bound
Revina Marina Leonidovna	Consent of an individual is not received	Member of the Board of Directors	16.06.2015
Kolesnikov Vladimir Nikolaevich	Consent of an individual is not received	Member of the Board of Directors	16.06.2015
Lapin Sergey Yurievich	Consent of an individual is not received	Member of the Board of Directors	16.06.2015
Levitsky Grigory Vasilievich	Consent of an individual is not received	Member of the Board of Directors	16.06.2015
Loven Elena Evgenievna	Consent of an individual is not received	Member of the Board of Directors	16.06.2015
Krikun Aleksander Nikolaevich	Consent of an individual is not received	Member of the Board of Directors	16.06.2015
Boldov Dmitry Vasilievich	Consent of an individual is not received	Director General, Member of the Board of Directors	28.10.2014 16.06.2015
Intermedpharm, LLC	Lineinyi prospect, 8, office 1, room 3, Moscow	Share in the authorized capital is more than 20 %	10.07.2009
MFPDK BIOTEC, CJSC	Lineinyi prospect, 8, office 1, room 3, Moscow	Share in the authorized capital is more than 20 %	10.07.2009

List of related parties from 23.12.2016

Name of the company (full name)	Location and postal address (place of residence - indicated only under the consent of an individual)	The grounds on which the parties are related to the company	Date of the onset of the grounds on which the parties are considered bound
Arvind Kumar	Consent of an individual is not received	Member of the Board of Directors	23.12.2016
Vivek Mittal	Consent of an individual is not received	Member of the Board of Directors	23.12.2016
Arvind Abrol	Consent of an individual is not received	Member of the Board of Directors	23.12.2016
Arun Kumar Raibut	Consent of an individual is not received	Member of the Board of Directors	23.12.2016
Voloshinov Aleksandr Borisovich	Consent of an individual is not received	Member of the Board of Directors	23.12.2016
Boldov Dmitry Vasilievich	Consent of an individual is not received	Director General	28.10.2014
Sun Pharma (Netherlands) B.V.	Polaris Avenu 87, 2132 JH Hoofddorp, the Netherlands	Share in the authorized capital is more than 20 %	19.12.2016
Rabnbaxy, JSC	Mira Prospect, 119, bld. 637/2, office 21, Moscow	Overall ultimate beneficiary	19.12.2016

The ultimate beneficiary of the Company is San Pharmaceutical Industries Limited, based in Mumbai, India. Shares of San Pharmaceutical Industries Limited are listed on the Bombay Stock Exchange (BSE Limited) and the National Stock Exchange of India. San Pharmaceutical Industries is one of the world's largest producers of pharmaceutical products.

During the period 2016-2017 no economic transactions with the individuals that are related parties were performed.

Information on business transactions in 2017 with related parties - legal entities: SUN PHARMA (NETHERLANDS) B.V. and Ranbaxy, JSC, Moscow

Types of transactions, number and date of the contract	Transaction amount, thousand rubles	Reporting in the the profit and loss statement			Debt as of 31.12.2017	
		Line No. f. No.2	thousand rubles	Line No. f. No.1	thousand rubles	
1	2	3	4	5	6	
Claim assignment agreement No. 8624/2016/101 for the rights under the mortgage agreements No. 1142, 1143, 1143/3, 1144 fixed assets (non-residential buildings 66 facilities)	834 579	x	x	x	x	
Claim assignment agreement No. 8624/2016/101 for the rights under the mortgage agreements No. 1142, 1143, 1144, 52 for the land leasehold rights (6 facilities).	32 919	x	x	x	x	
Claim assignment agreement No. 8624/2016/101 for the rights under the mortgage agreements No. 1142, 1143, 1143/3, 1144, 52 for the property right to land plot (Druzhby str., 4)	179 727	x	x	x	x	
Claim assignment agreement No. 8624/2016/101 for the rights under the mortgage agreements No. 1142, 1143, 1143/3, 1144 for the property right to land plot (green house)	1 225	x	x	x	x	
Loan agreement w/o number dated 14.12.2016/16-BIO-1067 dated 17.12.2016 (credit line 300 mln. rubles)	x	2 330	19 784	1 510	274 354	
Loan agreement w/o number dated 14.12.2016/16-BIO-1068 dated 17.12.2016 (credit line 1 989 mln. rubles)	624 000	2 330	50 948	1 410	624 000	
				1 510	325 682	

1	2	3	4	5	6
Agreement on the procedure for repayment of debts w/o number dated 07.06.2017/17-BIO-225 dated 26.12.2016	x	2 330	120 188	1 410	1 602 507
Agreement on the procedure for repayment of debts w/o number dated 07.06.2017/17-BIO-226 dated 26.12.2016	x	2 330	18 907	1 510	64 210
Claim assignment agreement w/o number dated 27.10.2017	203 971	x	x	12 302	203 971
Loan Agreement 16_BIO-324 dated 04.03.2016 (Ranbaxy, JSC)	x	2 330	4 044	x	x

Information on business transactions in 2016 with the related parties - legal entities: SUN PHARMA (NETHERLANDS) B.V. and Ranbaxy, JSC, Moscow

Types of transactions, number and date of the contract	Transaction amount, thousand rubles	Reporting in the the profit and loss statement			Debt as of 31.12.2016	
		Line No. f. No.2	thousand rubles	4	Line No. f. No.1	thousand rubles
1	2	3	4	5	6	
Claim assignment agreement No. 8624/2016/101 for the rights under the pledge agreement No. 1143/3 dated 16.09.2015 (process equipment)	957 257	x	x	x	x	
Claim assignment agreement No. 8624/2016/101 for the rights under the pledge agreement No. 52/1 dated 08.10.2014 (equipment)	19 378	x	x	x	x	
Loan Agreement16_BIO-1067 dated 17.12.2016	263 784	2 330	1 211	1 510	264 995	
Loan Agreement16_BIO-1068 dated 17.12.2016	300 000	2 330	459	1 510	300 459	
Claim assignment agreement No. 8624/2016/101 dated 14.12.2016	1 640 370	2 330	7 453	1410	1 582 467	
Claim assignment agreement under an interest-free loan agreement dated 29.07.2015	252 098	x	495	1 510	38 424	
Debt assignment agreement No. 16-BIO-1066 dated 17.12.2016	260 797	x	x	10 206	26 437	
Loan Agreement 16_BIO-324 dated 04.03.2016 (Ranbaxy, JSC)	137 333	2 330	13 404	x	252 098	
				x	x	
				x	x	

Information on business transactions in 2016 with the related parties - legal entities: MPPDK BIOTEC, CJSC, Moscow

Types of transactions, number and date of the contract	Transaction amount, thousand rubles	Reporting in the the profit and loss statement		Debt as of 31.12.2016	
		Line No. f. No.2	thousand rubles	Line No. f. No.1	thousand rubles
Organization of preclinical studies, registration of medicines	12 152	x	x	11851	1 952
Service agreement No. 16BIO 357 dated 12.04.2016	70	2220	2 340	15206	1 298
Royalty under the contract No. BIO 757 dated 20.10.2011	28	2110	60	12302	0
Loan Agreement No. 15BIO 509 dated 29.07.2015	247 000	2350	24	15206	0
		2350	5 098	1510	0

27. Contingent liabilities and contingent assets

Contingent facts of economic activity, which can increase or decrease the economic benefits in the future, in 2017 and before the signing the statements were not available.

28. Events after the reporting date

Until the date of signing the accounting statements there is pending proceeding by Biosintez, PJSC on disputed decision of the tax authority based on the on-site tax audit for 2014-2015 (on cancellation of additional charges in amount of 20,639.7 thousand rubles), this event is recognized as an event after the reporting date and can decrease economic benefits.

29. Government assistance

Forms of the government assistance received in 2016: subsidy for reimbursement of the loan interest for modernization of production - 10,000 thousand rubles, subsidy for reimbursement of R&D expenses - 1,196,000 rubles; in 2017: subsidy for reimbursement of R&D expenses - 838,000 rubles

30. Notes to the forms of the financial statements

Line 11852 of the balance sheet report exceeds the line 5240 of the notes as of 31.12.2017 - by 71,089 thousand rubles, as of 31.12.2016 - by 9,569 thousand rubles - advance payments to suppliers and contractors for capital investments. Line 11851 of the balance sheet report exceeds the sum of 5160 and 5180 lines of the notes as of 31.12.2017 - by 20 thousand rubles, as of 31.12.2016 - by 1,997 thousand rubles - advance payments to R&D contractors.

Line 1190 of the balance sheet report - 42,864 thousand rubles - expenses of future periods with maturity of more than 12 months.

31. Securities (given or received) for obligations and payments

The amount of guarantees for employees who received interest-free loans from the Company is indicated as the securities for the received obligations in Table 8 of the Notes.

The amounts of pledge of fixed assets and property rights under the loan agreements with SUN PHARMA (NETHERLANDS) B.V. are indicated as the securities for the given obligations in Table 8 (assigned by Sberbank of the Russian Federation) and other:

	31.12.2017	31.12.2016	31.15.2015
Claim assignment agreement No. 8624/2016/101 for the rights under the mortgage agreements No. 1142,11143,1143/3,1144 fixed assets (non-residential buildings 66 facilities)	834 579	834 579	834 579
Claim assignment agreement No. 8624/2016/101 for the rights under the pledge agreement No. 52/1 dated 08.10.2014 (equipment)	19 378	19 378	19 378
Claim assignment agreement No. 8624/2016/101 for the rights under the pledge agreement No. 1143/3 dated 16.09.2015 (process equipment)	957 257	957 257	957 257
Claim assignment agreement No. 8624/2016/101 for the rights under the mortgage agreements No. 1142,11143,1144,52 for the land leasehold rights	17 662	32 919	32 919
Claim assignment agreement No. 8624/2016/101 for the rights under the mortgage agreements No. 1142,11143,1144,52 for the property right to land plot (Druzhby str., 4)	179 727	179 727	179 727
Claim assignment agreement No. 8624/2016/101 for the rights under the mortgage agreements No. 1142,11143,1143/3,1144 for the property right to land plot (green house)	1 224	1 224	1 224
Securities for the closed temporary storage warehouse operation, statement No. 1 dated 28.12.2015, cash collateral	2 500	2 500	2 500
Securities for the closed temporary storage warehouse operation, statement No. 2 dated 28.12.2015, cash collateral	2 500	2 500	2 500
Pledge of equipment to secure obligations under the bank guarantee agreement No. DG-3339/14 dated 15.12.2014	0	0	4 058
Pledge of equipment to secure obligations under the bank guarantee agreement No. DG-3177/14 dated 09.10.2014	0	0	50 000
The guarantee under the loan agreement for Biotec, LLC No. 983-K-15 dated 125.09.2015	0	0	300 000
TOTAL	2 014 847	2 030 084	2 384 142

32. Cash Flow Statements

Cash includes as of December 31:

	31.12.2017	31.12.2016	31.12.2015
Cash on hand in the Company in rubles	12	31	8
Cash on bank accounts in rubles	118 896	172 710	1 580
Cash on bank accounts in foreign currency	4 414	0	0
TOTAL cash reported in the Cash Flow Statements (pages 4450,4500) and the Balance Sheet Report (page 1250)	123 322	172 741	1 588

Line 41191 of the Cash Flow Statement for 2016 contains the proceeds from Sun Pharma (Netherlands) B.V. under the debt assignment contract from Biotec, LLC (sale of medicines) in amount of 260,797 thousand rubles.

Line 41251 of the Cash Flow Statement for 2017 contains payments of loan interests to Sun Pharma (Netherlands) B.V. in amount of 104,952 thousand rubles.

Line 43151 of the Cash Flow Statement contains the proceeds of loans from Sun Pharma (Netherlands) B.V. in 2017 - in amount of 624,000 thousand rubles, in 2016 - in amount of 215,153 thousand rubles.

33. Information on the business risks of the Company

The Company's activities are subject to various risks, which can affect achievement of the set goals. To manage possible risks, the Company introduced and develops a risk-oriented approach to the business management, designed to ensure that the Company's management makes the most effective management decisions under the conditions of uncertainty, and to identify opportunities for achieving the Company's goals.

Industry risks

- innovations in legislation related to the entry of the Federal Law "On Medicine Circulation" No. 61-FZ. into force.
- associated with the increase in prices for raw materials due to increase in the foreign exchange rates - the pharmaceutical industry has a large raw dependence on the imported raw materials. To reduce the impact of this risk, the Company uses modern forecasting methods, carries out individual monitoring of each currency transaction, introduces the policy of expanding orders placed by the raw material suppliers;
- prices for VED are regulated by the state. Change in the registered price of the manufactured drugs in case of increase in the purchased raw material costs is practically impossible for today. IT is resulting in the risk of discontinuation of the unprofitable product manufacturing to avoid the risk of loss.

Country and regional risks

- imperfection of the legislative system governing economic relations;
- insufficient effectiveness of the judicial system.

Financial risks

- the impact of the exchange rate changes, since 10-12% of purchased raw materials used for manufacturing of medicines are imported.

Legal risks

- changes in state regulation of the tax, currency and customs legislation;
- changes in the licensing rules for licensing of core activities.

Risk of loss of business reputation

- a large number of complaints on products;
- lack of integration of departments;
- lack of effective interaction with customers (feedback, database, assessment of customer loyalty and satisfaction);
- shortcomings of the human resource policy when selecting and placing the personnel

Strategic risks

- lack of competent staff;
- imperfection of material and technical basis.

General Director

D. V. Boldov

March 28, 2018

Information accompanying the financial statements

1. Information on the costs of energy resources

Biosintez, PJSC is a subject of the wholesale power market of the unified power system, the registration certificate No. 2.2.0090 dated 06.09.2006.

Total costs for acquisition and consumption of all types of power resources for 2017.

Name of resources	Units of measurement	Quantity	Cost (excluding VAT), thousand rubles
Electricity, including for resale in the wholesale market	million kW/hour	15,743,495	37 113
Power	million kW/hour	2,205,206	3 024
Thermal energy, including	MW	41,594	13 495
hot water	Gcal	106,43.5	11 696
steam	Gcal	48 765.0	60 113
Water consumption, including			
city water supply	thousand m ³	17,734	360
artesian water from own water resource	thousand m ³	358,277	X
Sewerage system	thousand m ³	445,437	5 824

Economic effect from introduction of activities to save energy resources in 2017

Name of activity	Required expenses	Economic effect
	amount, thousand rubles	amount, thousand rubles
Improvement of the power-consuming equipment operation	0	24
Replacement of the pump D315/71 with the pump K100/50 with HC2 lifting	5	140
Replacement of the pump D315/71 with the pump K100/50 with HC3 lifting	3	160
Improvement of the heat-conducting equipment operation	0	22
Disconnection of unloaded transformers at substations and organization of their power supply by 0,4 kV	12	134
TOTAL	20	480

2. Environment-related activity

Current expenses for the environmental protection in 2017:

- quality control of waste and natural waters – 224 thousand rubles
 - control of emissions of pollutants into the atmosphere – 448 thousand rubles
 - содержание сотрудников экологической службы – 982 thousand rubles
 - removal and transfer of waste to destruction and disposal – 500 thousand rubles
 - payment for negative impact on the environment – 0.3 thousand rubles
- TOTAL : 1,654.3 thousand rubles**

Measures for 2018:

- destruction of medical wastes class "B" and "D".
- development of the design MPE.

3. Finance indicators

The currency in the balance sheet report increased by 552,667 thousand rubles as a result of:

- increase in the size of current assets - by 607,204 thousand rubles - due to the growth of accounts receivable by 507,660 thousand rubles and inventories by 157,088 thousand rubles; the cash balance on bank accounts decreased by 49,419 thousand rubles;

- decrease in the value of non-current assets by 54,537 thousand rubles - as a result of decrease in the fixed assets by 114,108 thousand rubles (depreciation, disposal), decrease in the deferred tax assets by 29,212 thousand rubles, increase in capital investments in fixed assets by 86,079 thousand rubles

The structure of the Company's property - the ratio of non-current and current assets - is characterized by a high degree of immobilization, a significant excess of the non-current asset share in the total value of the property.

The share of equity in the structure of the balance sheet report as of the end of the year is 16.6%, that is 16.6% of the company's assets are formed from own funds, 83.4% - involved funds.

Increase in the capitalization rate from 4.8 to 5.0 as of the end of 2017 confirms the increase in the company's financial dependence - the company increases the amount of borrowed funds (+ 570,909 thousand rubles) participating in financing activities. The standard capitalization rate value shall not exceed 1.5.

The current liquidity ratio increased from 0.9 to 1.5 and remains within the standard limits: from 1 to 2.

Working capital to current assets ratio as of the end of the year is 30% when the standard value shall be not less than 10%.

General Director

D.V. Boldov

March 28, 2018