

# RANBAXY USA, INC.

Your Directors have the pleasure in presenting the unaudited Financial Statements for the year ended December 31, 2010.

## WORKING RESULTS

	USD in Thousand	
Ranbaxy USA	Year ended 12/31/10	Year ended 12/31/09
Net Sales	6,173	5,883
Profit/(Loss) before Interest, Depreciation, Amortization, and Impairment	88	325
Interest	-	-
Exchange Loss/(Gain)- (Net) on Loans	-	-
Depreciation, Amortization and Impairment	5	11
Profit/(Loss) before Tax	83	314
Income Tax (benefit)/expense	38	(129)
Profit/(Loss) after Tax	45	185
Balance as per last balance sheet	2,065	3,730
Balance available for appropriation	1,512	2,065

	INR in Thousand	
	Year ended 12/31/10	Year ended 12/31/09
Net Sales	282,514	269,242
Profit/(Loss) before Interest, Depreciation, Amortization, and Impairment	4,027	14,874
Interest	-	-
Exchange Loss/(Gain)- (Net) on Loans	-	-
Depreciation, Amortization and Impairment	229	503
Profit/(Loss) before Tax	3,799	14,371
Income Tax (benefit)/expense	1,739	(5,904)
Profit/(Loss) after Tax	2,059	8,467
Balance as per last balance sheet	92,326	166,768
Balance available for appropriation	69,198	94,507

### Operations

Ranbaxy USA is a service company and its operations support the sales efforts of its affiliates Ranbaxy Pharmaceuticals, Inc., Ohm Laboratories, Inc. and Ranbaxy Laboratories, Inc. The Company derives its income through service fees charged to these entities. The Company continues to perform its functions diligently from its facilities in New Jersey and Florida.

### Dividend

No dividends have been declared for the year.

**Changes in Capital Structure**

There were no changes to the Company's capital structure in 2010.

**Directors**

The Board constitutes of: Venkat Krishnan and John P. Reilly.

**Acknowledgement**

The Directors commend the continued commitment and dedication of employees at all levels. The Directors also wish to acknowledge with thanks, all other stakeholders for their valuable sustained support and encouragement and look forward to receiving similar support and encouragement in the years ahead.

Sd/-

Venkat Krishnan

Dated: 21<sup>st</sup> April 2011

**RANBAXY USA, INC.**

**FINANCIAL STATEMENTS  
AS AT DECEMBER 31, 2010 AND 2009  
AND FOR THE YEAR ENDED DECEMBER 31, 2010 AND DECEMBER 31, 2009  
TOGETHER WITH REPORT OF INDEPENDENT AUDITORS**



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To,

Ranbaxy Laboratories Limited

At your request, we have audited the accompanying financial statements of Ranbaxy USA, INC. ("the Company") which comprises balance sheet as at December 31, 2010 and 2009, the related statement of operations for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

As discussed in Note 2(a) to the financial statements, the Company has not presented all of the disclosures including statement of cash flows and statement of stockholders equity and comprehensive income/loss that are required to present fairly the financial statements in conformity with generally accepted accounting principles in the United States.

In our opinion, except for the omission of the information discussed in preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Ranbaxy USA, INC. as at December 31, 2010 and 2009, the results of their operations for the years then ended in conformity with generally accepted accounting principles in the United States.

These financial statements have been prepared for the limited purpose of the information and use of the management of Ranbaxy Laboratories Limited and for the purpose of meeting the regulatory requirements of India.

KPMG

Place: Gurgaon

Date: 21/08/2011

**RANBAXY USA, INC.**  
**BALANCE SHEET**  
(All amount in United States dollars, unless otherwise stated)

	<b>As at December 31, 2010</b>	<b>As at December 31, 2009</b>
<b>ASSETS</b>		
<b>Current assets :</b>		
Dues from related parties	23,619,851	17,424,010
Prepaid and other current assets	15,994	70,350
Deferred tax asset	109,257	182,316
<b>Total current assets</b>	<b>\$23,745,102</b>	<b>\$17,676,676</b>
Property, plant and equipment, net	13,093	11,335
Deferred tax asset	-	3,249
<b>Total assets</b>	<b>\$23,758,195</b>	<b>\$17,691,260</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$4,750	\$4,750
Dues to related parties	20,951,022	14,443,234
Tax payable to Parent Company	37,494	111,036
Accrued expenses and other current liabilities	1,234,055	930,201
<b>Total current liabilities</b>	<b>22,227,321</b>	<b>15,489,221</b>
Deferred tax liabilities, non-current	2,836	-
<b>Total liabilities</b>	<b>\$22,230,157</b>	<b>\$15,489,221</b>
<b>Stockholders' equity</b>		
Common Stock, 100 shares authorized: issued and outstanding as of December 31, 2010 and 2009	\$ 100	\$ 100
Additional paid in capital	16,385	16,385
Accumulated earnings	1,511,553	2,185,554
<b>Total stockholders' equity</b>	<b>1,528,038</b>	<b>2,202,039</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$23,758,195</b>	<b>\$17,691,260</b>

See accompanying notes to the financial statements.

Amount INR

	<u>As at December 31, 2010</u>	<u>As at December 31, 2009</u>
<b>ASSETS</b>		
<b>Current assets :</b>		
Dues from related parties	1,056,043,538	779,027,487
Prepaid and other current assets	715,092	3,145,349
Deferred tax asset	4,884,880	8,151,348
<b>Total current assets</b>	<u>1,061,643,510</u>	<u>790,324,184</u>
Property, plant and equipment, net	585,388	506,788
Deferred tax asset	-	145,263
<b>Total assets</b>	<u>1,062,228,898</u>	<u>790,976,235</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	212,373	212,373
Dues to related parties	936,720,194	645,756,992
Tax payable to Parent Company	1,676,357	4,964,420
Accrued expenses and other current liabilities	55,174,599	41,589,287
<b>Total current liabilities</b>	<u>993,783,522</u>	<u>692,523,071</u>
Deferred tax liabilities, non-current	126,797.56	-
<b>Total liabilities</b>	993,910,319	692,523,071
<b>Stockholders' equity</b>		
Common Stock, 100 shares authorized: issued and outstanding as of December 31, 2010 and 2009	4,471	4,471
Additional paid in capital	732,573	732,573
Accumulated earnings	67,581,535	97,717,119
<b>Total stockholders' equity</b>	<u>68,318,579</u>	<u>98,453,164</u>
<b>Total liabilities and stockholder's equity</b>	<u>1,062,228,898</u>	<u>790,976,235</u>

**RANBAXY USA, INC.**  
**STATEMENT OF INCOME**  
(All amount in United States dollars, unless otherwise stated)

	<u>For the Year ended, December 31, 2010</u>	<u>For the Year ended, December 31, 2009</u>
Revenues	\$ 6,172,661	\$ 5,882,612
Cost of revenues (excluding depreciation)	6,084,532	5,556,568
Depreciation	5,267	10,688
<b>Income from operations</b>	<b>82,862</b>	<b>315,356</b>
Interest expense	-	1,206
<b>Income before income taxes</b>	<b>82,262</b>	<b>314,150</b>
Income tax expense	38,101	128,628
<b>Net income</b>	<b>44,761</b>	<b>185,522</b>

**Amount INR**

	<u>For the Year ended, December 31, 2010</u>	<u>For the Year ended, December 31, 2009</u>
Revenues	282,498,621	269,224,209
Cost of revenues (excluding depreciation)	278,465,300	254,302,447
Depreciation	241,050	489,148
<b>Income from operations</b>	<b>3,792,271</b>	<b>14,432,614</b>
Interest expense	-	55,194
<b>Income before income taxes</b>	<b>3,792,271</b>	<b>14,377,420</b>
Income tax expense	1,743,734	5,886,802
<b>Net income</b>	<b>2,048,536</b>	<b>8,490,618</b>

See accompanying notes to the financial statements.

**RANBAXY USA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(All amount in United States dollars, unless otherwise stated)**

**1) ORGANIZATION AND NATURE OF OPERATIONS**

*Incorporation and history*

Ranbaxy USA, INC. ("Ranbaxy") was incorporated on January 1, 2004 in the State of New Jersey. It is a wholly-owned subsidiary Ranbaxy Inc., which is a wholly-owned subsidiary of Ranbaxy (Holdings) U.K. Limited ("RHUK"), which is a wholly-owned subsidiary of Ranbaxy Holdings (Netherlands) BV ("RNBV"), which in turn is a subsidiary of Ranbaxy Laboratories Ltd. (an Indian company) ("RLL"). Ranbaxy USA, INC. is a service company and its operations support the sales efforts of its affiliates Ranbaxy Pharmaceuticals, Inc., Ohm Laboratories, Inc. and Ranbaxy Laboratories, Inc. The Company operates from facilities in New Jersey and Florida.

**2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*a) Basis of preparation*

The financial statements have been prepared in accordance with the accounting principles generally accepted in United States of America and include only the following:

- Balance sheet as at December 31, 2010 and 2009;
- Statements of Income for the years then ended; and
- Significant accounting policies and note on contingencies.

Certain disclosures that are required to present fairly the financial statements in conformity with generally accepted accounting principles in the United States of America, have been omitted as these financial statements have been prepared for the limited purpose of the information and use of the management of Ranbaxy Laboratories Limited and for the purpose of meeting the regulatory requirements of India.

*(b) Use of estimates*

The preparation of financial statements in conformity with US GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting period. The Company's most significant estimates relate to the determination of accrued liabilities, determination of useful lives for property, plant and equipment and other long lived assets for impairment. The management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management become aware of changes in circumstances surrounding the estimates.

*(c) Functional currency*

Operations of the Company are carried out in United States of America and accordingly, functional currency of the Company is determined as U.S. Dollar ("dollar" or "\$")

**RANBAXY USA, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**(All amount in United States dollars, unless otherwise stated)**

*(d) Revenue recognition*

Management income is recognized when the services are rendered to the parties.

*(e) Property, plant and equipment*

Property, plant and equipment including acquired under capital lease agreements are stated at cost less accumulated depreciation. The Company depreciates property, plant and equipment over the estimated useful life using the straight-line method. Leasehold improvements are amortized over the useful life or the period of lease, as appropriate. Upon retirement or disposal of assets, the cost of the asset and the related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to income.

The estimated useful lives of assets are as follows:

Computers equipment	4 years
Software	4 years
Furniture and fixtures	8 years

Advances paid towards the acquisition of property, plant and equipment outstanding at each balance sheet date and the cost of property, plant and equipment not put to use before such date are disclosed under capital work-in-progress.

Expenditures for maintenance and repairs are expensed as incurred. Expenditures for major renewals, betterments and additions are capitalized.

*(f) Income taxes*

Ranbaxy Inc., parent company files consolidated federal tax return including income/ losses of its subsidiaries. The tax expense/ benefit has been allocated to respective entities using separate return method and amount payable/ receivable is presented as tax payable/ receivable to/ from parent company in the balance sheet.

Under separate return method the current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to the Company. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance of any tax benefits of which future realization is uncertain at consolidated level.

Uncertain tax position are recognized and measured using two step approach . The first step is to evaluate the tax position for recognition by determining, based on the technical merits, that the position will be sustained upon examination. The second step is to measure the tax benefit as

**RANBAXY USA, INC.**

**NOTES TO THE FINANCIAL STATEMENTS**

**(All amount in United States dollars, unless otherwise stated)**

the largest amount of the tax benefit that is greater than 50% likely of being realized upon settlement. The interest and penalties related to unrecognized tax benefits is included income taxes expense/ benefits for the year.

**3) CONTINGENCIES**

The Company is involved in other lawsuits, claims and proceedings, which arise in the ordinary course of business. While the amounts claimed may be substantial, the ultimate liability is not currently determinable because of considerable uncertainties that exist. Therefore, it is possible that results of operations or liquidity in a particular period could be materially affected by certain contingencies. However, based on facts currently available, management believes that the disposition of matters that are pending or asserted will not have a material adverse affect on the financial statements.

**Note: Conversion Rate against Indian Rupee for the year 2010 and 2009 have been used as under:**

- i) Items relating to Profit and Loss account at Average rate : 1 USD = 45.7661**
- ii) Items relating to Balance Sheet at Closing Rate : 1 USD = 44.71**