

# Ohm Laboratories, Inc.

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

## WORKING RESULTS

	USD in Thousand	
Ohm Laboratories, Inc.	Year ended 12/30/10	Year ended 12/31/09
Net Sales	514,891	216,161
Profit/(Loss) before Interest, Depreciation, Amortization, and Impairment	34,601	12,641
Interest	7	2
Exchange Loss/(Gain)- (Net) on Loans	-	-
Depreciation, Amortization and Impairment	9,764	5,852
Profit/(Loss) before Tax	24,830	6,787
Income Tax (benefit)/expense	8,300	1,774
Profit/(Loss) after Tax	16,530	5,013
Balance as per last balance sheet	38,959	41,321
Balance available for appropriation	58,098	38,959

## IN INR in Thousand

Ohm Laboratories, Inc.	Year ended 12/30/10	Year ended 12/31/09
Net Sales	23,564,553	9,892,846
Profit/(Loss) before Interest, Depreciation, Amortization, and Impairment	1,583,553	578,529
Interest	320	92
Exchange Loss/(Gain)- (Net) on Loans	-	-
Depreciation, Amortization and Impairment	446,860	267,823
Profit/(Loss) before Tax	1,136,372	310,615
Income Tax (benefit)/expense	379,859	81,189
Profit/(Loss) after Tax	756,514	229,425
Balance as per last balance sheet	1,741,857	1,847,462
Balance available for appropriation	2,658,919	1,783,001

## Operations

Ohm Laboratories, Inc (Ohm) recorded sales of US \$515 [ IN INR 23,570] Million for the year ended December 31, 2010 which represents a 138% increase vs. prior year. Sales for the Company increased primarily due to launch of first-to-file products namely Valacyclovir & Donepezil which are sold to its affiliates.

**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.

**Subsidiaries and Joint Ventures**

No new subsidiaries or joint ventures were created in 2010.

**Directors**

The Board constitutes of: Venkat Krishnan, 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)

Director

Dated: April 21, 2011



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To,

Ranbaxy Laboratories Limited

At your request, we have audited the accompanying financial statements of Ohm Laboratories Inc. ("the Company") which comprises balance sheet as at December 31, 2010 and 2009, the related statement of income 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 Ohm Laboratories Inc. as of 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 April 2011

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

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

	<u>As of December 31, 2010</u>	<u>As of December 31, 2009</u>
<b>ASSETS</b>		
<b>Current assets :</b>		
Accounts receivable, net	7,407,265	5,154,399
Inventories	49,026,690	108,480,999
Dues from related parties	618,065,378	98,259,053
Deferred tax asset	2,619,095	1,400,990
Prepaid and other current assets	525,819	258,431
<b>Total current assets</b>	<b><u>\$ 677,644,247</u></b>	<b><u>\$213,553,872</u></b>
Property, plant and equipment, net	86,424,394	80,118,766
Goodwill	7,414,301	9,010,416
Other assets	50,726	56,489
<b>Total assets</b>	<b><u>\$ 771,533,668</u></b>	<b><u>\$302,739,543</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$8,403,825	\$ 5,348,127
Capital lease obligation, current portion	25,340	11,057
Dues to related parties	663,566,941	216,080,932
Income taxes payable	7,662,068	12,642,528
Accrued expenses and other current liabilities	9,713,593	8,401,070
<b>Total current liabilities</b>	<b><u>689,371,767</u></b>	<b><u>242,483,714</u></b>
Capital lease obligation, excluding current portion	95,517	45,052
Deferred tax liability	7,102,056	5,550,873
Other liabilities	1,261,043	103,373
<b>Total liabilities</b>	<b><u>\$ 697,830,383</u></b>	<b><u>\$248,183,012</u></b>
<b>Stockholders' equity</b>		
Class A Common Stock, 200,000 shares authorized: issued and 2,400 outstanding shares as of December 31, 2010	\$238,572	\$238,572
Class B Common Stock, 200,000 shares authorized: issued and 97,500 outstanding shares as of December 31, 2010		
Additional paid in capital	15,366,328	15,358,782
Accumulated earnings	58,098,385	38,959,177
<b>Total stockholders' equity</b>	<b><u>73,703,285</u></b>	<b><u>54,556,531</u></b>
<b>Total liabilities and stockholders' equity</b>	<b><u>\$ 771,533,668</u></b>	<b><u>\$302,739,543</u></b>

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

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

	<u>As of December 31, 2010</u>	<u>IN INR As of December 31, 2009</u>
	<u>IN INR</u>	<u>IN INR</u>
<b>ASSETS</b>		
<b>Current assets :</b>		
Accounts receivable, net	331,178,818	230,453,179
Inventories	2,191,983,310	4,850,185,465
Dues from related parties	27,633,703,050	4,393,162,260
Deferred tax asset	117,099,737	62,638,263
Prepaid and other current assets	23,509,367	11,554,450
<b>Total current assets</b>	<b><u>30,297,474,283</u></b>	<b><u>9,547,993,617</u></b>
Property, plant and equipment, net	3,864,034,656	3,582,110,028
Goodwill	331,493,398	402,855,699
Other assets	2,267,959	2,525,623
<b>Total assets</b>	<b><u>34,495,270,296</u></b>	<b><u>13,535,484,968</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	375,735,016	239,114,758
Capital lease obligation, current portion	1,132,951	494,358
Dues to related parties	29,668,077,932	9,660,978,470
Income taxes payable	342,571,060	565,247,427
Accrued expenses and other current liabilities	434,294,743	375,611,840
<b>Total current liabilities</b>	<b><u>30,821,811,703</u></b>	<b><u>10,841,446,853</u></b>
Capital lease obligation, excluding current portion	4,270,565	2,014,275
Deferred tax liability	317,532,924	248,179,532
Other liabilities	56,381,233	4,621,807
<b>Total liabilities</b>	<b><u>31,199,996,424</u></b>	<b><u>11,096,262,467</u></b>
<b>Stockholders' equity</b>		
Class A Common Stock, 200,000 shares authorized: issued and 2,400 outstanding shares as of December 31, 2010	10,666,554	10,666,554
Class B Common Stock, 200,000 shares authorized: issued and 97,500 outstanding shares as of December 31, 2010		
Additional paid in capital	687,028,525	686,691,143
Accumulated earnings	2,597,578,793	1,741,864,804
<b>Total stockholders' equity</b>	<b><u>3,295,273,872</u></b>	<b><u>2,439,222,501</u></b>
<b>Total liabilities and stockholders' equity</b>	<b><u>34,495,270,296</u></b>	<b><u>13,535,484,968</u></b>

See accompanying notes to the financial statements.

OHM LABORATORIES INC.  
NOTES TO THE FINANCIAL STATEMENTS  
(All amount in United States dollars, unless otherwise stated)

OHM LABORATORIES INC.

STATEMENT OF INCOME  
(All amount in United States dollars, unless otherwise stated)

	For the Year ended, December 31, 2010	For the Year ended, December 31, 2009
Revenues	\$ 514,004,962	\$216,160,972
Royalty income	886,031	1,172,768
Cost of revenues (exclusive of depreciation)	462,299,178	199,065,183
Selling, general and administration expenses (exclusive of depreciation)	14,481,727	6,478,941
Research and development (exclusive of depreciation)	3,574,291	1,449,598
Depreciation and impairment	9,763,918	5,851,587
<b>Income from operations</b>	<b>24,771,879</b>	<b>4,488,431</b>
Financial expense	(6,847)	(1,916)
Other income	64,824	2,300,712
<b>Income before tax</b>	<b>24,829,856</b>	<b>6,787,227</b>
Income tax expense	8,300,181	1,773,763
<b>Net income</b>	<b>16,529,675</b>	<b>5,013,464</b>
	IN INR	
	For the Year ended, December 31, 2010	For the Year ended, December 31, 2009
Revenues	23,524,002,491	9,892,844,661
Royalty income	40,550,183	53,673,018
Cost of revenues (exclusive of depreciation)	21,157,630,410	9,110,437,072
Selling, general and administration expenses (exclusive of depreciation)	662,772,166	296,515,862
Research and development (exclusive of depreciation)	163,581,359	66,342,447
Depreciation and impairment	446,856,448	267,804,316
<b>Income from operations</b>	<b>1,133,712,292</b>	<b>205,417,982</b>
Financial expense	(313,360)	(87,688)
Other income	2,966,742	105,294,615
<b>Income before tax</b>	<b>1,136,365,673</b>	<b>310,624,910</b>
Income tax expense	379,866,914	81,178,215
<b>Net income</b>	<b>756,498,759</b>	<b>229,446,695</b>

See accompanying notes to the financial statements.

1) ORGANIZATION AND NATURE OF OPERATIONS

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

*Incorporation and history*

Ohm Laboratories Inc. ("the Company" or "Ohm") was incorporated on October 28, 1981 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 Limited (an Indian company) ("RLL"). The Company is a manufacturer and distributor of over-the-counter and prescription pharmaceuticals. The Company obtains its products from its owned manufacturing plants, RLL and third parties. The Company operates two manufacturing facilities in New Jersey and one in New York and sells to its affiliates and external customers throughout the United States. The Company distributes its products pursuant to rights obtained through Abbreviated New Drug Application ("ANDA") approvals in the United States, licensing rights obtained from RLL and third parties. The Company's products are subject to the regulatory approval of the United States Food and Drug Administration.

**2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*(a) Basis of preparation*

The accompanying 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 operations for the years then ended; and
- Significant accounting policies.

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 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 valuation of inventory balances, 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. Any changes in estimates are recognized prospectively.

*(c) Functional currency*

**OHM LABORATORIES INC.**  
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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 “\$”)

*(d) Revenue recognition*

Revenues are shown net of applicable cash and volume discounts, rebates and other credits/allowances.

When the Company receives advance payments from customers for sale of products, such payments are reported as advances from customers until all conditions for revenue recognition are met.

Royalty income is recognized in accordance with the terms of their respective contractual agreements when collectability is reasonably assured and revenue can be reasonably measured.

Interest income is recognized on time proportion basis.

*(e) Inventories*

Inventories consist of raw materials, work-in-process and finished goods are stated at the lower of cost or market. Manufactured finished goods and work-in-process inventory are valued at standard cost, using the first-in, first-out method. The cost of raw materials and purchased goods is determined using their “moving weighted average” cost.

A write down of inventory to the lower of cost or market value at the close of a fiscal period creates a new cost basis and is not marked up based on changes in underlying facts and circumstances.

Inventories are reviewed on a periodic basis for identification and write-off of slow moving, obsolete and impaired inventory. Such write-downs, if any, are included in cost of revenues.

*(f) Shipping and handling expense*

Shipping and handling costs incurred to transport products to customers are included in selling, general and administrative expenses.

*(g) Research and development*

Revenue expenditure on research and development is expensed as incurred. Capital expenditure incurred on equipment and facilities that are acquired or constructed for research and development activities and having alternative future uses is capitalized as tangible assets when acquired or constructed.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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*(h) 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 operations.

The estimated useful lives of assets are as follows:

Leasehold Improvements	Shorter of remaining lease term or life of the assets
Buildings	39 years
Machinery and equipment	5 - 8 years
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. The interest cost incurred for funding an asset during its construction period is capitalized based on the actual investment in the asset and the average cost of funds. The capitalized interest is included in the cost of the relevant asset and is depreciated over the estimated useful life of the asset.

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

*(i) Leases*

Leases of property, plant and equipment that transfer substantially all of the benefits or risks and rewards of ownerships are classified as capital leases. The amount recorded is the lesser of the present value of the rental and other lease payments during the lease term, excluding that portion of the payments representing executor costs paid to the lessor, or the asset's fair value. The rental obligations, net of interest charges, are reflected in long term debt.

Leases that do not transfer substantially all of the benefits or risks of ownership are classified as operating leases and recorded as expense on a straight line basis over the lease term, including leases that have rent holidays and / or escalating lease payments.

*(j) Impairment of long-lived assets*

Long-lived assets and finite life intangibles are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying amount of assets may not be fully recoverable. Each impairment test is based on a comparison of the undiscounted cash flows expected to be generated from the use of the asset to its recorded value. If impairment is indicated the asset is written down to its fair value. Long-lived assets, to be disposed are reported at the lower of the carrying value or fair value less cost to sell.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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*(k) 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 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.

*(l) Business combinations*

All business acquisitions are accounted by using the purchase method of accounting whereby all acquired identifiable tangible and intangible assets and assumed liabilities are recorded at acquisition date fair values. The excess of the cost of the acquired business over the fair value of identifiable tangible and intangible net assets purchased is recorded as goodwill.

Goodwill is not amortized but is tested for impairment on 31 December 2010, relying on a number of factors including operating results, business plans and future cash flows. Recoverability of goodwill is evaluated using a two-step process. The first step involves a comparison of the fair value of a reporting unit with its carrying value. If the carrying amount of the reporting unit exceeds its fair value, the second step of the process involves a comparison of the fair value and carrying value of the goodwill of that reporting unit. If the carrying value of the goodwill of a reporting unit exceeds the fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess. Goodwill of a reporting unit will be tested for impairment between annual rests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

**3) CONTINGENCIES**

- a) On September 16, 2008, Ranbaxy Laboratories Limited ('RLL'), the ultimate holding company received 2 warning letters and an Import Alert from the US FDA, covering 30 generic drugs

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

being manufactured at its Paonta Sahib and Dewas manufacturing facilities in India. The issue raised in the warning letters relate to "Current Good Manufacturing Practice" being followed at the said plants and does not in any way raises questions on product's quality, safety or effectiveness.

- b) In the year 2008, the Department of Justice (DOJ), USA has filed certain charges against RLL citing possible issues with the data submitted by RLL, in support of product filing. RLL continuous to work diligently with the concerned authorities towards resolution of the issue.
- c) On February 25, 2009, RLL received a letter from the US FDA indicating that the Agency had invoked its Application Integrity Policy ("AIP") against the Paonta Sahib facility (the "facility"). The management of RLL believes that there was no falsification of data generated at the facility and also believes that there is no indication of a pattern and practice of submitting untrue statements of material fact and there was no other improper conduct.

RLL continues to fully cooperate with the concerned authorities for their final clearance, pending which there would be delays for new product approvals and sale of existing products in the United States of America.

- d) On December 21, 2009, the Gloversville unit of the Company received a warning letter from the US FDA. The issue raised in warning letter relates to "Current Good Manufacturing Practice" being followed at the Gloversville unit. This unit has generic and private branded labels over the counter (OTC) drugs and contributes less than 10% of the sales of the Company. The Company continuous to work diligently with the concerned authorities towards resolution of the issue.
- e) The Company is also 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 consolidated 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 : 1USD = 45.7661**
- ii) Items relating to Balance Sheet at Clsoing Rate : 1 USD = 44.71**