

Ranbaxy (Netherlands) B.V.

Directors' Report

The management herewith presents to the shareholder the annual accounts of Ranbaxy (Netherlands) B.V. (hereinafter 'the Company') for the year ended December 31, 2010.

General

The Company is a limited liability company incorporated under the laws of The Netherlands and acts as an intermediate holding company for Ranbaxy Laboratories Limited, India.

Overview of activities

During the year, the company's net investments increased by USD 7,399,657 [IN INR 329,497,364].

Results

The net asset value of the Company as at 31st December 2010 amounts to USD 672,812,716 [IN INR 30,081,456,532] (2009; USD 664,340,685[IN INR 29,702,672,039]). The result for the year 2010 amounts to a profit of USD 8,472,031 [IN INR 387,731,818] (2009; USD 10,845,669 [IN INR 496,363,972).

Financial Instruments'

The Company has not used any financial instruments and related risk management activities.

Future Outlook

The management is of the opinion that the present level of activities will be maintained during the next financial year.

Dated : May 5, 2011

Amsterdam

Board of Directors

Sd/-

Mr. Gunther Warris

Sd/-

Mr. Guido R. Wagenaar

Sd/-

Mr. Arun Sawhney



Independent auditor's report

To: the Board of Managing Directors and Shareholders of Ranbaxy (Netherlands) B.V.

Report on the financial statements

We have audited the accompanying financial statements 2010 of Ranbaxy (Netherlands) B.V., Amsterdam, which comprise the balance sheet as at 31 December 2010, the profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Ranbaxy (Netherlands) B.V. as at 31 December 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the information as required under Section 2:392 sub 1 at b - h has been annexed.

Amstelveen, 5 May 2011

KPMG ACCOUNTANTS N.V.



J. Humme RA

Ranbaxy (Netherlands) B.V.

Balance sheet as at December 31, 2010 and December 31, 2009

(After appropriation of the results)

		(Amounts in US Dollars)		(Amounts in INR)	
	Notes	2010	2009	2010	2009
Fixed Assets					
Financial fixed assets					
Investments	1	583,725,791	576,356,134	26,098,380,116	25,768,882,764
Total fixed assets		583,725,791	576,356,134	26,098,380,116	25,768,882,764
Current assets					
Amounts owed by group entities	2	83,899,059	59,429,816	3,751,126,928	2,657,107,073
Other receivables	3	240,360	277,199	10,746,496	12,393,567
Cash at banks	4	6,374,137	28,846,218	284,987,665	1,289,714,407
Total current assets		90,513,556	88,553,233	4,046,861,089	3,959,215,047
Current liabilities (due within one year)					
Accrued liabilities and other payables	5	1,426,631	568,682	63,784,672	25,425,772
Total current liabilities		1,426,631	568,682	63,784,672	25,425,772
Total assets less liabilities		672,812,716	664,340,685	30,081,456,532	29,702,672,039
Capital and reserves					
Paid up and called up share capital	6	527,212,795	564,403,714	23,571,684,064	25,234,490,053
Share premium reserve		155,000,000	155,000,000	6,930,050,000	6,930,050,000
Other reserves		17,809,741	9,337,710	796,273,536	417,489,023
Translation reserve		(27,209,820)	(64,400,739)	(1,216,551,050)	(2,879,357,041)
Total shareholder's equity		672,812,716	664,340,685	30,081,456,550	29,702,672,036

The accompanying notes form an integral part of these financial statements.

Ranbaxy (Netherlands) B.V.
Profit and loss account for the year ended 31 December 2010 and 31 December 2009

	Notes	(Amounts in US Dollars)		(Amounts in INR)	
		2010	2009	2010	2009
Holding activities					
Dividend from group entities	7	3,554,480	7,251,257	162,674,684	331,861,753
Profit/ (Loss) on disposal/ liquidation of subsidiary companies		(1,125,094)	2,670,571	(51,491,153)	122,221,619
Financial help to subsidiary		-	(6,000,000)	-	(274,596,600)
Reversal / (Provision) for diminution in value of investment		-	890,000	-	40,731,829
Result holding activities		2,429,386	4,811,828	111,183,531	220,218,601
Financing activities					
Interest income on loans to group entities	8	3,368,543	2,502,153	154,165,055	114,513,784
Interest income from banks & others		133,840	169,714	6,125,347	7,767,148
Interest expenses	9	(9,099)	(323,891)	(416,413)	(14,823,228)
Loans to subsidiaries written off		(502,452)	(800,235)	(22,995,262)	(36,623,635)
Result financing activities		2,990,832	1,547,741	136,878,726	70,834,069
Other financial income and expenses					
	10	4,514,040	4,873,812	206,589,994	223,055,367
		4,514,040	4,873,812	206,589,994	223,055,367
Other income and expenses					
General and administration expenses	11	(295,096)	(207,805)	(13,505,393)	(9,510,424)
Total other income and expenses		(295,096)	(207,805)	(13,505,393)	(9,510,424)
Result before taxation		9,639,162	11,025,576	441,146,858	504,597,614
Corporate income tax					
-Provision for current tax		(975,000)	(383,435)	(44,621,948)	(17,548,325)
-Deferred Tax		-	127,416	-	5,831,333
-Tax earlier years (Current)		(192,131)	76,112	(8,793,087)	3,483,349
Result after taxation		8,472,031	10,845,669	387,731,824	496,363,972

The accompanying notes form an integral part of these financial statements.

Ranbaxy (Netherlands) B.V.

Notes to the annual accounts for the year ended 31 December 2010

General:

The Company was incorporated as a limited liability company under the laws of The Netherlands on 14 December 1993 and has its statutory seat in Amsterdam. The holding company is Ranbaxy Laboratories Limited ("RLL"), Punjab, India. The principal activity of the Company is to act as a holding company.

Basis of presentation:

The accompanying accounts have been prepared in accordance with accounting principles generally accepted in The Netherlands, the most significant of which are as follows:

a. Financial fixed assets

Financial fixed assets mainly consists of participations in group entities. The participations are accounted for by the cost method and are stated at cost, less provision for other than temporary decline in value.

b. Foreign Currencies

The functional and reporting currency of Ranbaxy (Netherlands) B.V. is the US Dollar mainly based on the nature of the Company and in accordance with the primary economic environment in which the company operates as a holding company within the Ranbaxy Group. Assets and liabilities in foreign currencies are translated into US Dollar at their exchange rates prevailing on the balance sheet date. Transactions in foreign currencies are translated into US Dollars at the exchange rates in effect at the date of the transactions. The resulting currency exchange rate differences are taken to the profit and loss account.

c. Assets and liabilities

All assets and liabilities are shown at face value, unless stated otherwise in the notes.

Financial instruments include amounts owed by group entities, other receivables, accrued liabilities and other payables, short term bank borrowings and amounts owed to group entities. Financial instruments are initially recognised at fair value. After initial recognition, financial instruments are valued at amortised cost on the basis of the effective interest method, less impairment losses.

d. Consolidation

In accordance with article 408, Book 2 of the Dutch Civil Code, the Company is not required to prepare consolidated annual accounts in conformity with accounting principals generally accepted in the Netherlands. The annual accounts of the Company and its subsidiaries are included in the consolidated accounts of the holding company (RLL), which are available at the Company's Office and will be filed at the Dutch Chambre of Commerce.

e. Recognition of income

Dividends from group entities are recorded as income (net of taxes) when received. Other income and expenses are recognized and reported on an accrual basis.

f. Corporate Income tax

Provisions for taxation have been made in accordance with standard ruling practice for holding companies in The Netherlands. Corporate income tax comprises the current and deferred corporate income tax payable and deductible for the reporting period. Corporate income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity. Current tax comprises the expected tax payable of receivable on the taxable profit or loss for the financial year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Ranbaxy (Netherlands) B.V.

	2010	2009	2010	2009
	USD	USD	IN INR	IN INR
2 Amounts owed by group entities				
Ranbaxy Holdings (UK) Limited	25,000	25,000	1,117,750	1,117,750
Ranbaxy N.A.N.V	-	251,338	-	11,237,322
Laboratorios Ranbaxy S.L.	13,127,014	13,648,506	586,908,796	610,224,703
Ranbaxy Pharmaceuticals Inc.	-	504,660	-	22,563,349
Ranbaxy Belgium N.V.	472,292	505,618	21,116,190	22,606,181
Ranbaxy Australia Pty. Ltd	3,606,889	2,714,938	161,264,010	121,384,878
Ranbaxy Italia S.p.A.	5,225,546	4,768,770	233,634,150	213,211,707
Ranbaxy Mexico, S.A de C.V	2,025,324	2,003,623	90,552,236	89,581,984
Be-Tabs Pharmaceuticals (Proprietary) Ltd	43,034,747	22,287,043	1,924,083,556	996,453,693
ZAO Ranbaxy	10,003,506	10,003,404	447,256,738	447,252,193
Ranbaxy Farmaceutica Ltda	2,522,983	2,529,529	112,802,572	113,095,242
Ranbaxy Pharmacia Generiques SAS	3,355,264	53,616	150,013,864	2,397,171
Ranbaxy Japan KK	-	133,771	-	5,980,901
Ranbaxy PRP Peru	500,000	-	22,355,000	-
Ranbaxy Nigeria Limited	494	-	22,069	-
	<u>83,899,059</u>	<u>59,429,816</u>	<u>3,751,126,931</u>	<u>2,657,107,073</u>

The loans owed by group entities Ranbaxy Japan and Ranbaxy NANV have been written off in 2010.

3 Other receivables

Withholding Tax	27,949	79,081	1,249,600	3,535,712
Prepaid taxes	129,831	-	5,804,736	-
Bank interest receivable	2,580	438	115,366	19,583
Other loans	80,000	80,000	3,576,800	3,576,800
HNG Chembio Pharmacy Co. Ltd	-	117,680	-	5,261,473
	<u>240,360</u>	<u>277,199</u>	<u>10,746,502</u>	<u>12,393,567</u>

4 Cash at Banks

Current account with ABN AMRO Bank	167,760	3,886	7,500,540	173,743
Current account with Canara Bank	204,342	207,389	9,136,131	9,272,362
Current account with Calyon Bank	473,576	78,930	21,173,596	3,528,960
Current account with Bank of Baroda	-	30,566	-	1,366,606
Current account with Fortis Bank	10,210	734	456,484	32,817
Fixed Deposit with Canara Bank	5,495,500	28,524,713	245,703,806	1,275,339,918
Remittance in Transit	22,749	-	1,017,108	-
	<u>6,374,137</u>	<u>28,846,218</u>	<u>284,987,665</u>	<u>1,289,714,407</u>

Note: Cash at banks as at December 31, 2010 is not restricted.

5 Accrued liabilities and other payables

Accruals and creditors	53,135	51,875	2,375,666	2,319,331
Provision for Tax	1,373,496	516,807	61,409,006	23,106,441
	<u>1,426,631</u>	<u>568,682</u>	<u>63,784,672</u>	<u>25,425,772</u>

6 Capital and reserve 1,750,000,000 **78,242,500,000**

The Authorized share capital of the Company amounts to EUR 1,750,000,000 [IN INR 78,242,500,500] divided into 17,500,000 shares of EUR 100 [IN INR 4,471]each. Issued and paid up are 3,939,716 shares of EUR 100 [IN INR 4,471]

	<u>Share capital</u>	<u>Share Premium</u> <u>reserve</u>	<u>Other reserves</u>	<u>Translation</u> <u>reserve</u>	<u>In USD</u> <u>Total</u>
Balance as on 01.01.09	550,772,297	105,000,000	(1,507,959)	(50,769,322)	603,495,016
Additions made during the year	-	50,000,000			50,000,000
Translation adjustment for the year	13,631,417			(13,631,417)	-
Result for the period	-		10,845,669		10,845,669
Balance as on 31.12.09	564,403,714	155,000,000	9,337,710	(64,400,739)	664,340,685
Balance as on 01.01.10	564,403,714	155,000,000	9,337,710	(64,400,739)	664,340,685
Additions made during the year	-	-	-		-
Translation adjustment for the year	(37,190,919)			37,190,919	0
Result for the period	-		8,472,031		8,472,031
Balance as on 31.12.10	527,212,795	155,000,000	17,809,741	(27,209,820)	672,812,716

Note: Translation reserve includes translation of share capital from EURO to USD at closing exchange rate. The EURO to USD exchange rate used as per 31 December 2010 is 1.3382 (2009: 1.4326).

	<u>Share capital</u>	<u>Share Premium</u> <u>reserve</u>	<u>Other reserves</u>	<u>Translation</u> <u>reserve</u>	<u>In INR</u> <u>Total</u>
Balance as on 01.01.09	24,625,029,399	4,694,550,000	(67,420,838)	(2,269,896,387)	26,982,262,175
Additions made during the year	-	2,235,500,000	-	-	2,235,500,000
Translation adjustment for the year	609,460,654			(609,460,654)	-
Result for the period	-		484,909,861		484,909,861
Balance as on 31.12.09	25,234,490,053	6,930,050,000	417,489,023	(2,879,357,041)	29,702,672,036
Balance as on 01.01.10	25,234,490,053	6,930,050,000	417,489,023	(2,879,357,041)	29,702,672,036
Additions made during the year	-	-	-	-	-
Translation adjustment for the year	(1,662,805,988)			1,662,805,988	-
Result for the period	-		378,784,512		378,784,512
Balance as on 31.12.10	23,571,684,064	6,930,050,000	796,273,536	(1,216,551,053)	30,081,456,548

Note: Translation reserve includes translation of share capital from EURO to USD at closing exchange rate. The EURO to USD exchange rate used as per 31 December 2010 is 1.3382 [IN INR (2009: 1.4326).

Ranbaxy (Netherlands) B.V.

	2010	2009	2010	2009
	USD	USD	IN INR	IN INR
Profit and loss account				
7 Dividends from group entities				
Ranbaxy Nigeria Ltd	52,516	65,756	2,403,462	3,009,396
Ranbaxy Malaysia Sdn Bhd	139,101	79,331	6,366,110	3,630,670
Ranbaxy Unichem Co Ltd	142,463	129,170	6,519,964	5,911,607
Ranbaxy Ireland Ltd	3,220,400	6,977,000	147,385,148	319,310,080
	3,554,480	7,251,257	162,674,684	331,861,753
8 Interest income on loans to group entities				
Ranbaxy Hongkong Ltd	-	6,875	-	314,642
Ranbaxy Farmaceutica Ltda	76,143	29,529	3,484,781	1,351,427
Ranbaxy Pharmaceuticals Inc.	-	30,161	-	1,380,351
Ranbaxy Belgium N.V.	10,582	16,612	484,274	760,266
Laboratorios Ranbaxy S.L.	372,777	289,246	17,060,556	13,237,661
Ranbaxy Italia S.p.A.	100,462	83,662	4,597,753	3,828,883
Ranbaxy Mexico, S.A de C.V	52,569	106,084	2,405,858	4,855,051
Ranbaxy Vietnam Company Ltd	-	37,811	-	1,730,462
Be-Tabs Pharmaceuticals (Proprietary) Ltd	2,559,471	1,853,696	117,137,013	84,836,437
ZAO Ranbaxy	186,775	48,477	8,547,948	2,218,603
Ranbaxy Pharmacie Generique	9,764	-	446,870	-
	3,368,543	2,502,153	154,165,055	114,513,784
9 Interest expenses				
<u>Banks</u>				
Canara bank current account	157	46,733	7,189	2,138,787
Calyon Bank	8,942	274,452	409,224	12,560,598
<u>Group Entities</u>				
Ranbaxy Pharmaceuticals Inc.	-	2,706	-	123,843
	9,099	323,891	416,413	14,823,228
10 Other financial income and expenses				
Guarantee Issuance Fees	-	277,083	-	12,681,008
Currency exchange rate differences	4,361,260	4,597,062	199,597,862	210,389,599
Interest paid - others	(22,637)	(333)	(1,036,020)	(15,240)
Miscellaneous income	175,417	-	8,028,152	-
Total other financial income and expenses	4,514,040	4,873,812	206,589,994	223,055,367

Ranbaxy (Netherlands) B.V.

	2010	2009	2010	2009
	USD	USD	IN INR	IN INR
11 General and administrative expenses				
Administration & Management Fees	70,948	64,541	3,247,005	2,953,790
Audit Fee	44,822	63,124	2,051,351	2,888,939
Legal advise	34,035	-	1,557,660	-
Tax advise	122,248	44,455	5,594,834	2,034,532
Withholding tax written off	8,155	-	373,239	-
General expenses	3,598	11,601	164,649	530,933
Bank charges	11,289	24,084	516,662	1,102,231
	<u>295,096</u>	<u>207,805</u>	<u>13,505,400</u>	<u>9,510,424</u>

Staff members and employment costs

The Company has no employees and hence incurred no wages, salaries or related social security charges during the reporting period, nor during the previous year.

Directors

The Company has three (previous year: four) managing directors. During the year none of the director have received any remuneration in their capacity as a director.

Contingent liabilities**Guarantees**

The Company issued guaranties for securing working capital facilities and long term loans on behalf of subsidiaries for an aggregate amount of USD 1.17 million [IN INR 53.55 Million].

5-May-11

Amsterdam

Board of Managing Directors

Sd/-

Mr. Gunther Warris

Sd/-

Mr. Guido R. Wagenaar

Sd/-

Mr. Arun Sawhney

Ranbaxy (Netherlands) B.V.

Other Information

Appropriations of results

Subject to the provisions under Dutch law, no dividends can be declared until all losses have been recovered, other reserves and unappropriated results are at the disposal of the shareholders in accordance with the Company's articles of association.

Furthermore, Dutch law prescribes that any profit distribution may only be made to the extent that the shareholder's equity exceeds the amount of the issued capital and the legal and/or statutory reserves.

The management proposes to the shareholder to add the result for the year to the other reserves.

Subsequent Events

No further events have occurred since balance sheet date, which would change the financial position of the company and which would require adjustment of or disclosure in the annual accounts now presented.

During February 2011, the Company has formed a wholly owned subsidiary, namely Ranbaxy Morocco LLC under laws of Morocco with an initial investment of USD 96,971 [IN INR 4,335,573].