

# RANBAXY

## ANNUAL REPORT 2010

According and under the law enforcement, we submit for appraisal and vote the Report and Accounts of **RANBAXY PORTUGAL – Comércio e Desenvolvimento de Produtos Farmacêuticos, Unipessoal, Lda.**, tax number 507054806, at registered office of the company at Rua Campo Alegre - Edifício Botânico, nº 1306 - 5<sup>o</sup> Room 501, 4150-174 Porto, registered in the Commercial Registry of Oporto under the number 59 308 and with the capital duly subscribed and paid-up of Euro 5.000 (In Rs. 299,401 ).

### 1. ENVIRONMENT AND BUSINESS

#### 1.1 MACROECONOMIC ENVIRONMENT

##### International

In 2010, the effects of global economic recession continued to feel after 2008 Economic Crises.

However, in the second half of 2010, global growth has surprised positively due to the higher than expected private consumption in the U.S. and Japan. Financial conditions have shown some improvement so, with a reduction in the risk aversion and the markets start to recover.

The IMF refers that the Euro Zone turbulence at end of 2010, which led for the request of Irish bail out, had a contagion effect on the suppressed conditions in global financial markets. In EURO Zone, investors continue to require higher risk premiums, which cause has lead to restricted access to borrowings.

In order to balance the budgets, several countries in Europe have adopted quite severe austerity and belt tightening measures.

##### National

# RANBAXY

Portugal was one of the targets of financial markets and subject to great pressure to reduce the deficit.

The government adopted an austerity plan to combat financial crisis installed, which includes: VAT increase, IRS surcharge, an extraordinary rate on companies with profits exceeding two million Euros and a payroll cut of five percent for political and public administrators (besides the expected wage freeze on civil service).

The materialization of the austerity measures is essential to reduce the debt risk premium and allow the restoration of favorable financing for the Portuguese economy in international markets.

In the last quarter, Portuguese economy has shown signs of recovery mainly resulting from significant increase in goods and services exports. According the government, deficit will be below the proposed target of 7.3%.

## **1.2 PHARMACEUTICAL SECTOR IN PORTUGAL**

The 2010 year was marked by several legislative changes in the pharmaceutical sector.

In May, the Government compiled the rules of reimbursement / price that was dispersed, and introduced modifications including: contributions, prices and hospital medicines.

In June, the rules of the annual review of non generic and generic prices were defined, to be adopted in 2010 and subsequent years.

In October, changes were introduced in the reference pricing system for reimbursement. There was also a Price reduction and other measures that allow the removal of Selling Price from the packaging of medicines reimbursed.

## **1.3 COMPANY ACTIVITY**

# RANBAXY

In the beginning of 2010, the collective dismissal process, initiated in November 2009, was concluded.

It was a year of adaptation, with a right sized team that developed redoubled efforts for the company's success in this new model.

The new business model adopted was based on a substantial fixed cost reduction program, realigning of marketing certain medicines and developing strategies that are appropriate to current market conditions.

With this strategy was intended that the company reached results, that exceeded the objectives initially proposed, creating a support base for future.

## **2. PROFITS AND LOSSES**

In 2010 the company achieved a growth of 75% of its turnover (Sales + Services Rendered), reaching a value of € 3.190.826 (In Rs. 192,2184,434 ).

Regarding expenditures, they didn't change significantly compared to 2009.

The EBT had a clear improvement, reaching a negative value € 134.556( In Rs. 8,105,783 ) compared to the negative value of € 1.445.756 (In Rs. 87,093,735 ) reached in the previous year.

## **3. EXPECTED DEVELOPMENTS TO 2011**

# RANBAXY

We are aware that it will be a year where we will face great challenges and where we have to administer the impact and manage consciously the measures were not used to.

Despite the global economic situation and austerity measures, considering that in 2010 with the new business model, the company is well positioned to achieve the business objectives.

## 4. RESULTS

The Board of Directors, according legal disposition, suggests that the negative net result of €134.555, 87 (One thousand and thirty four hundred, five hundred and fifty five Euros and eighty seven cents) (In Rs. 8,105,775.30 RS. Eighty one lacs five thousands seven hundred seventy five and paisa thirty only), be transferred to retained earnings.

## 4. FINAL NOTE

The Board of Directors would like to thank its customers, suppliers and other business partners, by its continued involvement and trust in us.

Finally, wish to express the gratitude to the Board of Directors, for their work and valuable advices and also to enhance our special thanks to all employees for their time and dedication they demonstrated along this transition year.

Porto, 10<sup>th</sup> February 2011

The Board of Directors

Sd/-

Debashis Dasgupta

SD/-

Sandeep Puri

SD/-

Rui Santos

# RANBAXY

Note: Conversion rate used against Indian Rupees for the year 2010 and 2009 as under:

- i) Items relating to Profit and Loss account at Average Rate: 1 EURO = 0.0166
- ii) Items relating to balance sheet at Closing rate : 1 EURO = 0.0167

KPMG & Associados - Sociedade de Revisores Telefone: +351 22 010 23 00  
Oficiais de Contas, S.A. Fax: +351 22 010 23 12  
Edificio Peninsula Internet: www.kpmg.pt  
Praca do Bom Sucesso, 127/131 7º  
Andar - Sala 701  
4150-146 Porto  
Portugal

## AUDITORS' REPORT

(ISSUED BY THE AUDITOR)

(This report is a free translation to English from the original Portuguese version)

### Introduction

- 1 We have audited the financial statements of Ranbaxy Portugal - Comercio e Desenvolvimento de Produtos Farmaceuticos, Unipessoal, Lda., ("Company"), which comprise the balance sheet as at 31 December 2010 (showing total assets of Euro 1,369,907 [ IN INR 82,030,359] and a total equity of Euro 474,048, [ IN INR 28,625,629] including a net loss of Euro 134,556 [ IN INR 8,105,783]), the income statement, the statement of changes in equity and the cash flows statement for the period then ended and the corresponding notes.

### Responsibilities

- 2 Management is responsible for the preparation of financial statements which present fairly, in all material respects, the financial position of the Company, the results of its operations, the changes in equity and its cash flows, as well as for the adoption of adequate accounting policies and criteria and the maintenance of an appropriate internal control system.
- 3 Our responsibility is to express a professional and independent opinion on those financial statements based on our audit.

### Scope

- 4 Except for the scope limitation mentioned on paragraph 7 below, we conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. For this purpose our audit included:
  - verification, on a test basis, of the information underlying the figures and disclosures contained therein, and an assessment of the estimates, based on the judgments and criteria defined by Management, used in their preparation;
  - the assessment of the adequacy of the accounting principles used and their disclosure, considering the circumstances;
  - the assessment of the applicability of the going concern basis of accounting; and
  - the assessment of the adequacy of the overall presentation of the financial statements.
- 5 Our audit also included the verification that the financial information included in the Management Report is consistent with the financial statements presented.
- 6 We believe that our audit provides a reasonable basis for our opinion.

## Qualification

- 7 The Auditors' Report as at 31 December 2009 included a qualification about the provision for sales returns due to limitations imposed by the fact that the Company has changed, during 2009, its business approach and by the lack of detailed information on costs incurred, in previous years, with product returns. As at 31 December 2010 this situation is solved with the accounting of a provision amounting to Euro 275,368 [ IN INR 16,489,102] (2009: Euro 53,967 [ IN INR 3,231,557]). Despite this not affecting the total equity of the Company on this date, we cannot conclude about the proper assignment that this resolution should have over the net loss for the period and over retained losses.

## Qualified opinion

- 8 In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary if the scope limitation referred to in paragraph 7 above had not existed, the above mentioned financial statements present fairly, in all material respects, the financial position of Ranbaxy Portugal - Comercio a Desenvolvimento de Produtos Farmaceuticos, Unipessoal, Lda. as at 31 December 2010, the results of its operations, the changes in equity and its cash flows for the period then ended in accordance with the generally accepted accounting principles in Portugal.

## Report on other legal requirements

- 9 It is also our opinion that the financial information included in the Management Report is consistent with the financial statements for the period.

Porto, 28 February 2011

Sd/-  
KPMG & Associados  
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)  
represented by  
Adelaide Maria Viegas Clare Neves (ROC nr. 862)

Balance Sheet, 31<sup>st</sup> December 2010

(in EUROS)

(in INR)

Description	NOTES	Date		Date	
		31 Dec 2010	31 Dec 2009	31 Dec 2010	31 Dec 2009
<b>ASSETS</b>					
<b>Non Current Assets:</b>					
Tangibles Assets	3.2/6	25,169.30	34,875.73	1,507,144	2,088,367
Intangible Assets	3.3/7	73,558.78	109,101.65	4,404,717	6,533,033
		<b>98,728.08</b>	<b>143,977.38</b>	<b>5,911,861.08</b>	<b>8,621,400.00</b>
<b>Current Assets:</b>					
Inventories	3.4/8	143,127.74	389,611.70	8,570,523	23,330,042
Accounts Receivables		445,206.74	414,311.87	26,659,086	24,809,094
State and other public entities	15	88,218.35	22,519.74	5,282,536	1,348,487
Others Debtors		7,043.16	8,610.05	421,746	515,572
Deferred Costs		1,318.28	1,340.63	78,939	80,277
Cash and Bank Deposits	4	534,925.20	426,660.23	32,031,449	25,548,517
Non-current assets held for sale	11	51,339.35	71,339.35	3,074,213	4,271,817
		<b>1,271,178.82</b>	<b>1,334,393.57</b>	<b>76,118,492.22</b>	<b>79,903,806.59</b>
<b>TOTAL ASSETS</b>		<b>1,369,906.90</b>	<b>1,478,370.95</b>	<b>82,030,353.29</b>	<b>88,525,206.59</b>
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share Capital		5,000.00	5,000.00	299,401	299,401
Other Capital Instruments		3,875,000.00	3,875,000.00	232,035,928	232,035,928
Retained Earnings		-3,271,396.18	-1,825,640.44	-195,891,987	-109,319,787
<b>SUBTOTAL</b>		<b>608,603.82</b>	<b>2,054,359.56</b>	<b>36,443,342.51</b>	<b>123,015,542.51</b>
Net Profit		-134,555.87	-1,445,755.74	-8,057,238	-86,572,200
<b>TOTAL EQUITY</b>		<b>474,047.95</b>	<b>608,603.82</b>	<b>28,386,104.79</b>	<b>36,443,342.51</b>
<b>LIABILITIES</b>					
<b>Non Current Liabilities:</b>					
Provisions	3.5/12	325,368.36	103,967.16	19,483,135	6,225,578
		<b>325,368.36</b>	<b>103,967.16</b>	<b>19,483,135.33</b>	<b>6,225,578.44</b>
<b>Current Liabilities:</b>					
Accounts Payable		260,750.57	327,752.49	15,613,807	19,625,898
State and other public entities	15	12,742.13	39,179.51	763,002	2,346,078
Other payables					
Accrued payroll costs (Payroll payable)	17	109,813.53	251,856.45	6,575,660	15,081,225
Others debtors	16	187,184.36	147,011.52	11,208,644	8,803,085
		<b>570,490.59</b>	<b>765,799.97</b>	<b>34,161,113.17</b>	<b>45,856,285.63</b>
<b>TOTAL LIABILITIES</b>		<b>895,858.95</b>	<b>869,767.13</b>	<b>53,644,248.50</b>	<b>52,081,864.07</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,369,906.90</b>	<b>1,478,370.95</b>	<b>82,030,353.29</b>	<b>88,525,206.59</b>

Porto, 10<sup>th</sup> February 2011.

The Accountant

The Board of Directors

Sd/-  
Monica AmorimSd/-  
Debashis Dasgupta

Sd/-

Sandeep Puri

Sd/-  
Rui Santos



Ranbaxy Portugal, Lda

Cash Flow, 31<sup>st</sup> December 2010

(in EUROS)

(in INR)

Description	NOTES	DATE		DATE	
		2010	2009	2010	2009
<b>Cash flow from operating activities</b>					
Receivables from customers		3,387,268.33	1,875,311.61	202,830,439	112,294,108
Payments to suppliers		2,533,598.84	1,778,060.62	151,712,505	106,470,696
Payments to personnel		502,327.20	724,860.12	30,079,473	43,404,798
Cash generated from operations		351,342.29	-627,609.13	21,038,460	-37,581,385
Payment / Receipts of income tax		16,895.94	17,718.77	1,011,733	1,061,004
Other Payment / Receipts		-205,518.53	22,377.69	-12,306,499	1,339,981
Cash flow from operating activities (1)		<b>128,927.82</b>	<b>-622,950.21</b>	7,720,229	-37,302,408
<b>Cash flow from investment activities</b>					
Payments of :					
Tangibles Assets		0.00	4,163.25	0	249,296
Intangibles Assets		0.00	15,000.00	0	898,204
Finance Investments					
Others Assets					
		0.00	19,163.25	0	1,147,500
Receipts from :					
Tangibles Assets		40.00		2,395	0
Intangibles Assets		0.00		0.00	
Finance Investments					
Others Assets					
Subsidy to investment					
Interest and similar income		9,573.90	10,871.88	573,287	651,011
Dividends					
		9,613.90	10,871.88	575,683	651,011
Cash flow from investment activities (2)		<b>9,613.90</b>	<b>-8,291.37</b>	575,683	-496,489
<b>Cash flow from financing activities</b>					
Receipts from :					
Funding Obtained					
Capital Increase and other equity instruments			1,775,000.00	0	106,287,425
Cover Losses					
Donations					
Others Financing operations					
		0.00	1,775,000.00	0	106,287,425
Payments of :					
Funding Obtained					
Interest and similar expenses		30,276.75	40,254.45	1,812,979	2,410,446
Dividends					
Reduction of capital and other equity instruments					
Others Financing operations					
		30,276.75	40,254.45	1,812,979	2,410,446
Cash flow from financing activities (3)		<b>-30,276.75</b>	<b>1,734,745.55</b>	<b>-1,812,979</b>	103,876,979
Change in Cash and their equivalent (1)+(2)+(3)		<b>108,264.97</b>	<b>1,103,503.97</b>	6,482,932	66,078,082
Effect of exchange differences					
Cash and their equivalent at beginning of period		426,660.23	-676,843.74	25,548,517	-40,529,565
Cash and their equivalent at end of period	11	534,925.20	426,660.23	32,031,449	25,548,517
		<b>108,264.97</b>	<b>1,103,503.97</b>	6,482,932	66,078,082

Porto, 10<sup>th</sup> February 2011.

The Accountant

Sd/-  
Monica Amorim

The Board of Directors

Sd/-  
Debashis Dasgupta  
Sd/-

Sandeep Puri

Sd/-  
Rui Santos

## CHANGES IN EQUITY FOR THE PERIOD 2009

Euros																
Description	Notes	Share Capital	Equities (shares) own	Other Equity Instruments	Share premium	Legal Reserves	Others Reserves	Retained Earnings	Adjustments on financial assets	Revaluation surplus	Other changes in Equity	Net Profit	TOTAL	Minority interests	TOTAL Equity	
<b>Beginning of 2009</b>	1 2	5,000		2,100,000				(1,823,971)				(302,070)	279,369		279,369.22	
<b>Changes in the period:</b>																
First adoption of the reference book																
Changes in accounting policies																
Differences on conversion of financial statements																
Completion of the revaluation surplus TA and IA																
Revaluation Surplus TA and IA and respective changes																
Deferred tax adjustments																
Other changes recognized								(302,070)				302,070	0			
	2							(302,070)				302,070	0			
<b>Net Profit of the period</b>	3											(1,445,756)	(1,445,756)		(1,445,756)	
<b>Result</b>	4+2+3											(1,443,686)	(1,443,686)		(1,443,686)	
<b>Transactions with equity owners in the period:</b>																
Capital Accomplishments																
Accomplishments of premiums																
Distributions																
Entries to cover losses				0,00												
Other				1,775,000												
	5			1,775,000												1,775,000
<b>End of 2009</b>	6=1+2+3+5	5,000		3,875,000				(1,825,641)				(1,445,756)	(1,166,387)		608,603	

INR																
Description	Notes	Share Capital	Equities (shares) own	Other Equity Instruments	Share premium	Legal Reserves	Others Reserves	Retained Earnings	Adjustments on financial assets	Revaluation surplus	Other changes in Equity	Net Profit	TOTAL	Minority interests	TOTAL Equity	
<b>Beginning of 2009</b>	1 2	299,401		125,748,503				(91,231,783)				(18,088,024)	16,728,097		16,728,097	
<b>Changes in the period:</b>																
First adoption of the reference book																
Changes in accounting policies																
Differences on conversion of financial statements																
Completion of the revaluation surplus TA and IA																
Revaluation Surplus TA and IA and respective changes																
Deferred tax adjustments																
Other changes recognized								(18,088,024)				18,088,024	0			
	2							(18,088,024)				18,088,024	0			
<b>Net Profit of the period</b>	3											(86,572,200)	(86,572,200)		(86,572,200)	
<b>Result</b>	4+2+3											(86,484,176)	(86,572,200)		(86,572,200)	
<b>Transactions with equity owners in the period:</b>																
Capital Accomplishments																
Accomplishments of premiums																
Distributions																
Entries to cover losses				0,00												
Other				106,287,425												106,287,425
	5			106,287,425												106,287,425
<b>End of 2009</b>	6=1+2+3+5	299,401		232,035,928				(109,319,807)				(86,572,200)	(69,844,103)		36,443,322	

**Legend:**  
 TA = Tangible Assets  
 IA = Intangible Assets

Página 1 de 1

Porto, 10<sup>th</sup> February 2011.

The Accountant

Sd/-  
 Monica Amorim

The Board of Directors

Sd/-  
 Debashis Dasgupta

Sd/-  
 Sandeep Puri

Sd/-  
 Rui Santos

## CHANGES IN EQUITY FOR THE PERIOD 2010

Euros																
Description	Notes	Share Capital	Equities (shares) own	Other Equity Instruments	Share premium	Legal Reserves	Others Reserves	Retained Earnings	Adjustments on financial assets	Revaluation surplus	Other changes in Equity	Net Profit	TOTAL	Minority interests	TOTAL Equity	
<b>Beginning of 2010</b>	1	2	5,000		3,875,000			(1,825,641)				(1,445,756)	608,603		608,603	
<b>Changes in the period:</b>																
First adoption of the reference book																
Changes in accounting policies																
Differences on conversion of financial statements																
Completion of the revaluation surplus TA and IA																
Revaluation Surplus TA and IA and respective changes																
Deferred tax adjustments								(1,445,756)				1,445,756	0			
Other changes recognized																
	2							(1,445,756)				1,445,756	0			0
<b>Net Profit of the period</b>												(134,556)	(134,556)		(134,556)	
<b>Result</b>		4+2+3										1,311,200	(134,556)		(134,556)	
<b>Transactions with equity owners in the period:</b>																
Capital Accomplishments																
Accomplishments of premiums																
Distributions																
Entries to cover losses																
Other																
	5															
<b>End of 2010</b>		6=1+2+3+5	5,000		3,875,000			(3,271,397)				(134,556)	474,047		474,047	

INR																
Description	Notes	Share Capital	Equities (shares) own	Other Equity Instruments	Share premium	Legal Reserves	Others Reserves	Retained Earnings	Adjustments on financial assets	Revaluation surplus	Other changes in Equity	Net Profit	TOTAL	Minority interests	TOTAL Equity	
<b>Beginning of 2010</b>	1	2	299,401		232,035,928			(109,319,807)				(86,572,230)	36,443,322		36,443,322	
<b>Changes in the period:</b>																
First adoption of the reference book																
Changes in accounting policies																
Differences on conversion of financial statements																
Completion of the revaluation surplus TA and IA																
Revaluation Surplus TA and IA and respective changes																
Deferred tax adjustments								(86,572,216)				86,572,216	0			
Other changes recognized																
	2							(86,572,216)				86,572,216	0			0
<b>Net Profit of the period</b>												(8,057,246)	(8,057,246)		(8,057,246)	
<b>Result</b>		4+2+3										78,514,970	(8,057,246)		(8,057,246)	
<b>Transactions with equity owners in the period:</b>																
Capital Accomplishments																
Accomplishments of premiums																
Distributions																
Entries to cover losses																
Other																
	5															
<b>End of 2010</b>		6=1+2+3+5	299,401		232,035,928			(195,892,023)				(8,057,230)	28,386,077		28,386,077	

**Legend:**

TA = Tangible Assets  
IA = Intangible Assets

Porto, 10<sup>th</sup> February 2011.

The Accountant  
Sd/-  
Monica Amorim

The Board of Directors

Sd/-  
Debashis Dasgupta

Sd/-  
Sandeep Puri

Sd/-  
Rui Santos



## Appendix to Financial Statements

(Amounts in Euros)

31st December 2010 and 2009

### 1. Identification of the Entity

RANBAXY PORTUGAL – Comércio e Desenvolvimento de Produtos Farmacêuticos, Unipessoal, Lda., is a Quota Society, at registered office in Rua Campo Alegre, nº 1306, 5º Floor, Porto. Ranbaxy Portugal was constituted on 21<sup>st</sup> October 2004, with registered in the Commercial Registry Office of Porto, under the number 59308, which main activity is the trading of pharmaceutical products.

Ranbaxy Portugal is a subsidiary of Ranbaxy Laboratories Limited based in New Delhi in India.

### 2. Reference accounting of financial statements preparation

The financial statements have been prepared for the first time in 2010, in accordance with Accounting Standards Financial Reporting (NCRF). For this purpose, it was prepared an opening balance sheet at 1st January 2009 according to the NCRF, so was possible to present financial statements for the year 2009, presented for comparative purposes in accordance with the NCRF.

The financial statements, that includes balance sheet, statement of profit and loss, statement of changes in equity, statement of cash flows and the annex, were approved by the Board of Directors of the Company on February 10, 2011, are denominated in Euros and were prepared in accordance with the assumptions of continuity and accrual on which assets, liabilities, equity, income and expenses are recognized when achieve those definitions and criteria for those elements contained in the Conceptually Structure, in accordance with the qualitative characteristics of understandability, relevance, materiality, reliability, faithful representation, substance, neutrality, prudence, completeness and comparability.

The accounting policies present on note 3, were used in the financial statements for the period ended December 31, 2010 and comparative financial information presented in these financial statements for the period ended December 31, 2009.

# RANBAXY

Reconciliation of Equity for 2009:

	IN EURO	IN INR
<b>Equity in 1st January 2009 according POC</b>	<b>320.287</b>	<b>19,178,862</b>
Less: Derecognition of Intangible Asset Disposal	-40.928	-2,450,778
<b>Equity in 1st January 2009 according NCRF</b>	<b>279.360</b>	<b>16,728,144</b>

Derecognition of an intangible asset disposal that was recorded by mistake as income in 2007 and which has not been materialized. This derecognition, beyond the impact on equity, had also an impact on intangible assets {recognition of € 17.896 (In Rs.1,017,617)} and Other Creditors {recognition € 58.823 (In Rs.3,522,335)}.

In the financial statements were not made exceptions to the NCRF and there are no accounts of the balance sheet and income statement whose contents are not comparable with the previous period.

As provided in the third NCRF the financial statements include comparative information with reference to December 31, 2009, prepared according to the SNC.

### 3. Accounting Policies

The main accounting policies applied in the preparing of these financial statements are described below.

#### 3.1 Measurement Basis

Financial statements were prepared in accordance with historical cost.

#### 3.2 Tangible Assets

Tangible Fixed Asset is recorded at acquisition cost, net of accumulated depreciation, and is constituted by Administrative Equipment.

Depreciation is calculated using constant quota with duodecimal attribution and according to the minimum rate allowed by the Decree No. 25/2009 of 14th September. The annual rate applied reflects the estimated useful lives of assets.

# RANBAXY

## **3.3 Intangible Assets**

Intangible Fixed Assets is recorded at acquisition cost, net of accumulated depreciation, and are formed by MA's (Marketing Authorization) acquired from third parties.

Amortization is calculated using constant quota with duodecimal attribution and reflects the estimated useful lives of commercialization or previously defined in contracts, the average is 5 years.

## **3.4 Inventories**

Inventories are valued at lower of acquisition cost and net realizable value. Inventories cost includes all expenses of purchase (transport, customs duties, insurance, labeling, etc.).

The exits of inventories are valued at weighted average price.

The Company reduces the cost of inventories (write down) to its net realizable value when the assets are carried at amounts greater than can be expected to result from their sale or use.

## **3.5 Provisions**

Provisions are constituted by sales return, calculated on empirical evidence, and by current litigation process which are recorded in accordance with the expectation of the occurrence of corporate responsibility and are reviewed annually.

## **3.6 Revenue**

Revenue from sales and services rendered is recognized when the risks and advantages of ownership of the assets sold and services rendered, are transferred to the buyer.

# RANBAXY

## 3.7 Currency Exchange

The elements included in the Financial Statements are measured using Euro, which is the functional and presentation currency of the Company.

Transactions in other currencies than Euro are converted into Euros using the exchange rates at transactions date, and the gain or loss are recognized in the Income Statement.

## 3.8 Income and Expenses Recognition

The Financial Statements have been prepared in accordance with the rules of increase, under which all income and expenses are recorded in the year they were earned or incurred, regardless of its receipt or payment.

## 3.9 Events after Balance Sheet Date

The financial statements presented reflect subsequent events occurring until February 10, 2011, approval date of the statements, by the Board of Directors, as described in Note 2.

Events occurring after the balance sheet date about conditions that existed at the balance date are considered in the preparation of financial statements.

## 4. Cash Flows

Amounts booked in Cash and Bank Deposits:

	In Euro	In Rs.
Cash in Euros	500	29,940
Cash in Foreign Currency	1.066	63,832
Bank Deposits	533.359	31,937,665
<b>Cash and Bank Deposits</b>	<b>534.925</b>	<b>32,031,437</b>

# RANBAXY

## 5. Material Errors of Previous Periods

In 2007, it was recognized revenue from an intangible asset sale {€ 58.823 (In Rs. 3,522,335)} which has not been materialized; in 2010 the situation was restored derecognised revenue. (See note 2)

## 6. Tangible Assets

	Opening Balance	Increase	Disposals/ Write-Off	Final Balance
<b>Tangibles Assets</b>				
Office Equipment	64,167		-6,522	57,645
Depreciation	29,291	7610		32,476
<b>Total Net Tangible Assets</b>	<b>34,876</b>	<b>7610</b>	<b>-10,948</b>	<b>25,170</b>

In Rs.

	Opening Balance	Increase	Disposals/ Write-Off	Final Balance
<b>Tangibles Assets</b>				
Office Equipment	3,842,335		(390,539)	3,451,796
Depreciation	1,753,952	455,689		1,944,671
<b>Total Net Tangible Assets</b>	<b>2,088,383</b>	<b>455,689</b>	<b>(655,569)</b>	<b>1,507,186</b>

## 7. Intangible Assets

In Euro

Items	Opening Balance	Increase	Transfers	Disposals/ Write-Off	Final Balance
<b>Intangibles Assets</b>					
Marketing Aurhorization (MA'	191,084		15000	-27,685	178,399
Amortization	81,982	50,543		-27,685	104,839
<b>Total Net Intangible Assets</b>	<b>109,102</b>	<b>50,543</b>	<b>15000</b>	<b>-55,370</b>	<b>73,559</b>

# RANBAXY

In Rs.

Items	Opening Balance	Increase	Transfers	Disposals/ Write-Off	Final Balance
<b>Intangibles Assets</b>					
Marketing Aurtherization (MA'	11,442,156	-	898,204	(1,657,784)	10,682,575
Amortization	4,909,102	3,026,527	-	(1,657,784)	6,277,784
<b>Total Net Intangible Assets</b>	<b>6,533,054</b>	<b>3,026,527</b>	<b>898,204</b>	<b>(3,315,569)</b>	<b>4,404,731</b>

## 8. Inventories

In Euro

	2010	2009
Inventories	306,787	750,675
Impairment Losses	-163,659	-361,064
<b>Total Net</b>	<b>143,128</b>	<b>389,612</b>

In Rs.

	2010	2009
Inventories	18,370,479	44,950,599
Impairment Losses	(9,799,940)	(21,620,599)
<b>Total Net</b>	<b>8,570,539</b>	<b>23,330,060</b>

## 9. Inventories Adjustment

In Euro

	Opening Balance	Utilization	Increase	Final Balance
Inventories	361,064	360,648	163,243	163,659

In Rs.

	Opening Balance	Utilization	Increase	Final Balance
--	-----------------	-------------	----------	---------------

# RANBAXY

Inventories	21,620,599	21,595,689	9,775,030	9,799,940
-------------	------------	------------	-----------	-----------

## 10. Statement of Cost of Goods and Materials

Description	In Euro	
	2010	2009
Initial Inventory	750,675	955,749
Purchases	617,167	643,781
Inventories Regularization	-360,840	-184,851
Final Inventory	-306,787	-750,675
<b>Cost of Goods and Materials</b>	<b>700,216</b>	<b>664,004</b>

Description	In Rs.	
	2010	2009
Initial Inventory	45,221,386	57,575,241
Purchases	37,178,735	38,781,988
Inventories Regularization	(21,737,349)	(11,135,602)
Final Inventory	(18,481,145)	(45,221,386)
<b>Cost of Goods and Materials</b>	<b>42,181,687</b>	<b>40,000,241</b>

## 11. Non Current Assets held for sale

MA's (Marketing Authorisation) acquired from third parties are booked at €51.339 (In Rs. 3,074,192 ), the Company let the commercialization and no longer intends to sell in the future.

During 2010, efforts were made for its sale, however any MA's sale has occurred yet, and at the end of the year Domperidone MA was being commercialized but has not been achieved the sale yet.

The MA of Cyproterone Ethinylestradiol was written-off, because the market share of generics that this medicine reached was very low and there was no interest in this purchase and to keep the MA we would have to be made a renewal (Regulatory Agency) of approximately € 2.000 (In Rs. 119,760 ), it was decided not to renew.

During 2011, efforts continue to be developed for its sale; the management team is sending offers to sell to companies in the same industry.

# RANBAXY

In Euro

Items	Opening Balance	Increase	Transfer	Disposales	Final Balance
Non Current Assets held for sale	71,339		-15000	-5000	51,339

In Rs.

Items	Opening Balance	Increase	Transfer	Disposales	Final Balance
Non Current Assets held for sale	4,271,796	0	-898,204	-299,401	3,074,192

## 12. Provisions

In Euro

Provisions	Current Litigation Process	Sales Returns
Opening Balance in 01st January 2010	50000	53,967
Provision created in 2010		275,368
Provision utilization in 2010		-53,967
<b>Final Balance in 31st December 2010</b>	<b>50000</b>	<b>275,368</b>

In Rs.

Provisions	Current Litigation Process	Sales Returns
Opening Balance in 01st January 2010	2,994,012	3,231,557
Provision created in 2010	-	16,489,102
Provision utilization in 2010	-	(3,231,557)
<b>Final Balance in 31st December 2010</b>	<b>2,994,012</b>	<b>16,489,102</b>

### Current Litigation Process Provision

Provision created in 2009 to provide a claim for ordinary proceedings brought by "Grunhental", regarding Tramadol, against Ranbaxy.

The amount of € 50,000(In Rs. 2,994,012 ) is reasonable for a possible accordance with Grunhental.

# RANBAXY

No decision of this process is expected in 2011, so this provision is reviewed at the end of each year.

## Sales Returns Provision

As in this area of business where the company operates is required to accept returns for expiration date, provision was made for sales return of 10% on the gross value of direct sales (excluding supplies to third parties), this calculation was based on empirical evidence of the previous year, since there isn't historical oldest.

## 13. Revenue

Revenue	In Euro	
	2010	2009
Sales	2,984,479	1,777,585
Services Rendered	206,347	50000
<b>Total</b>	<b>3,190,826</b>	<b>1,827,585</b>

Revenue	In Rs.	
	2010	2009
Sales	179,787,892	107,083,434
Services Rendered	12,430,542	3,012,048
<b>Total</b>	<b>191,067,425</b>	<b>110,095,482</b>

## 14. Taxes

The amount of tax € 9.824,12 (In Rs. 588,270.66 ), is Autonomous Taxation.

The company has fiscal losses to be recovered and the deadline for its use is as follows:

Year	Fiscal Losses		Last year to recover
	In Euro	In Rs.	
2005	480,503	28,945,964	2011
2006	487,019	29,338,494	2012
2007	456,319	27,489,096	2013
2008	263,933	15,989,578	2014

# RANBAXY

2009	823,940	49,634,940	2015
------	---------	------------	------

The company has not recorded deferred tax assets, because an asset for deferred taxes relating to fiscal losses should only be recognized if there is a reasonable expectation that will be established taxable profits that allow the use of those losses.

## 15. State and Other Public Entities

State and Other Public Entities	2010		2009	
	In Euro	In Rs.	In Euro	In Rs.
Special Payment on account	20,684	1,238,562	16,228	971,736
Withholding Tax	11,250	673,653	0	-
Autonomous Taxation	-9,824	-588,503	-16,896	-1,011,736
Withholding Income Taxes	-5,761	-344,971	-18,170	-1,088,024
VAT – to recover	66,109	3,958,623	22,520	1,348,503
Contributions to Social Security	-6,981	(418,024)	-20,342	(1,218,083)
<b>Total</b>	<b>75,476</b>	<b>4,519,521</b>	<b>-16,660</b>	<b>(997,605)</b>

## 16. Other Accounts Payable

Other Accounts Payable	2010		2009	
	In Euro	In Rs.	In Euro	In Rs.
Commission	87,498	5,239,401	44,279	2,651,437
Other Creditors	82,767	4,956,108	96,451	5,775,509
Creditors Customers	16,919	1,013,114	6,282	376,168
<b>Total</b>	<b>187,184</b>	<b>11,208,623</b>	<b>147,012</b>	<b>8,803,114</b>

## 17. Payroll Payable

Payroll Payable	2010		2009	
	In Euro	In Rs.	In Euro	In Rs.
Holidays	47,506	2,844,671	132,856	7,955,449
Bonus	62,308	3,731,018	21,789	1,304,731
Compensation (dismissal)	0	-	97,211	5,821,018
<b>Total</b>	<b>109,814</b>	<b>6,575,689</b>	<b>251,856</b>	<b>15,081,198</b>

# RANBAXY

## 18. External Suppliers and Services

External Suppliers and Services	2010		2009	
	In Euro	In Rs.	In Euro	In Rs.
Specialized Services	486,788	29,324,578	371,481	22,378,373
Marketing and Publicity	49,306	2,970,241	82,831	4,989,819
Honorary	10,595	638,253	18,057	1,087,771
Commission	1,085,024	65,362,892	224,171	13,504,277
Travel, Lodging and transportation	18,851	1,135,602	26,208	1,578,795
Rent and Leasings	49,451	2,978,976	99,066	5,967,831
Communication	19,934	1,200,843	36,244	2,183,373
Regulatory Expenses	92,557	5,575,723	33,721	2,031,386
Others	40,968	2,467,962	66,261	3,991,627
<b>Total</b>	<b>1,853,474</b>	<b>111,655,060</b>	<b>958,041</b>	<b>57,713,313</b>

The Commission Item has increased in 2010 as result of the use of a greater number of agents whose remuneration is commissions to conduct sales of company products.

## 19. Other Expenses

Other Expenses	2010		2009	
	In Euro	In Rs.	In Euro	In Rs.
Cash Discounts	58,668	3,534,217	57,753	3,479,096
Foreign Exchange Losses	21,765	1,311,145	8,800	530,,120
Fines and Other Penalties	30	1,807	13,570	817,470
Others	2,529	152,349	5,777	348,012
<b>Total</b>	<b>82,992</b>	<b>4,999,518</b>	<b>85,899</b>	<b>5,174,639</b>

## 20. Personnel Expenses

Personnel Expenses	2010		2009	
	In Euro	In Rs.	In Euro	In Rs.
Payroll Payable	335,762	20,226,627	634,144	38,201,446
Charges on personnel expenses	77,909	4,693,313	141,574	8,528,554
Insurance	12,393	746,566	24,178	1,456,506
Redundancy payments	24,522	1,477,229	110,846	6,677,470
Training	2,994	180,361	1,730	104,217

# RANBAXY

<b>Total</b>	<b>453,581</b>	<b>27,324,157</b>	<b>912,472</b>	<b>54,968,193</b>
--------------	----------------	-------------------	----------------	-------------------

The average number of employees of the company during 2010 was 5 and 14 in 2009.

## 21. Net Financial Expenses

Net Financial Expenses	2010		2009	
	In Euro	In Rs.	In Euro	In Rs.
Interest	1,672	100,723	25,019	1,507,169
Bank Charges	6,839	411,988	6,436	387,711
<b>Total</b>	<b>8,511</b>	<b>512,711</b>	<b>31,454</b>	<b>1,894,819</b>

In 2010, bank interest don't exist, since it was removed the existing Overdraft with Deutsche Bank.

## 22. Related Parties

The share capital of € 5.000 (In Rs.299,401 ) of Ranbaxy Portugal consists of a single share owned by Ranbaxy (Netherlands) BV, a subsidiary of Ranbaxy Laboratories Limited based in New Delhi in India.

The transactions with related parties are as follows:

Related Parties	Operation	2010		2009	
		In Euro	In Rs.	In Euro	In Rs.
Basics Gmbh	Sale of Goods	1,141	68,735		-
Ranbaxy Europe Limited	Services Rendered	124,917	7,525,120		-
Ranbaxy Europe Limited	Purchase of Services	316,253	19,051,386	216,000	13,012,048
Ranbaxy UK Limited	Purchase of Services	78	4,699	38,600	2,325,301
Ranbaxy Ireland Limited	Purchase of Services		-	5,480	330,120
Ranbaxy Laboratories Limited	Purchase of Goods	419,597	25,276,928	448,075	26,992,470

# RANBAXY

The balances with related parties are as follows:

Related Parties	Operation	2010		2009	
		In Euro	In Rs.	In Euro	In Rs.
Ranbaxy Laboratories Limited	Saldo Cliente	33,769	2,022,096	87,823	5,258,862
Ranbaxy Europe Limited	Saldo Cliente	19,019	1,138,862		-
Ranbaxy UK Limited	Saldo Cliente	3,167	189,641	37,519	2,246,647
Ranbaxy Laboratories Limited	Saldo Fornecedor	128,463	7,692,395	176,296	10,556,647
Ranbaxy Europe Limited	Saldo Fornecedor	50,627	3,031,557	73,551	4,404,251
Ranbaxy UK Limited	Saldo Fornecedor	1,130	67,665	17,403	1,042,096

Conversion rate against Indian Rupee for the year 2010 and 2009 have been used:

- 1) Items relating to Profit and Loss account at Average rate: 1 Euro = 0.0166
- 2) Items relating to Balance Sheet at Closing rate 1EURO = 0.0167

Porto, 10<sup>th</sup> February 2011

SD/-

Monica Amorim

The Accountant

Sd/-

Debashish Dasgupta

Sd/-

Rui Santos

Sd/-

The Board of Directors