

RANBAXY ITALIA S.P.A.

Registered office: Piazza Filippo Meda N. 3 Milan (MI)
Registered with the Registrar of Trading Companies in Milan
Tax payer Code and registration no. 04974910962
Registered in the R.E.A. of Milan no.1787791
Share capital subscribed € 200.000 fully paid-in
VAT number: 04974910962
Sole shareholder

Directors' Report

Financial Statements at 31/12/2010

Dear Shareholders,

We would draw your attention to the Financial Statements for the Fiscal year ended on 31th December, highlighting a loss accounting for € 4,748,837.

First of all, we highlight that this Directors' Report has been drawn up in compliance with the provisions set forth by art. 2428 of the Civil Code, so as amended by the Legislative Decree of 2 February 200, n. 32 and by the subsequent art. 2, comma 1, Legislative Decree of 6 November 2007, n. 195.

In the Supplementary Notes you have been given details concerning the financial statements at 31/12/2010; in this document, pursuant to the provisions set forth by art. 2428 of the Civil Code, we would like to provide you with information on the situation of your company and on the management trend.

This report, drawn up with figures in Euros, is presented together with the financial statements for the FY to provide information on incomes, assets, financial situation and management together with – whenever possible – historical elements and perspective evaluations.

Company Information

The company operates in the wholesale trading of pharmaceutical products.

During fiscal year 2010, the management focused on the market segment of generics or equivalent medicines.

The production value realized in 2010 further increased over the previous year, final amount equal to € 12,545,019.

The company's market share has remained stable over the year, amounting to an average of 2%.

The pillars of the decree are :

- costs related to prior periods are not allocated into the fiscal year, which had an impact on the income statement of 2010 : in particular 0,6 millions of euros [36 million of Rupees] for credit notes for returns and invoices for promotional expenses.
- during the year steps were taken to the depreciation of the licenses obtained from third parties, but still present on the list of Ranbaxy but not sold out ; and to depreciation of the licenses dating to acquisition of Allen in 2005. The total amount of depreciation was by 0,8 millions of euros [48 million of Rupees]
- some contracts with suppliers negotiated in early 2010 or before continued to have negative impacts in 2010 but after renegotiation of these you will see the positive effects achieved in 2011 ; especially you will highlight the new contracts with the provider of logistics services, consulting contracts, supply contracts for products purchased on the Italian market to market.

It shows a much more effective management of working capital, especially:

- the balance of the stock at year-end is lower than 25% over the 2009
- the total claims of the customers is lower than 29% over the 2009, compared with an production increase valued by 32% over the previous year; with the resolution of the problems of managing customer returns in 2009 and the consequences that these issues have played in the first half of 2010, the collection times have been reduced by customers that are returning to a physiological level of industry : from 251 days at the beginning of the year (such as average collection times) to 153 days at the end of 2010.

The reduction of gross working capital has made possible the reduction in the exposure to suppliers, reducing the financial stress of the company.

In the last quarter of the year (and as activities for 2010) the company has developed activities aimed at :

- push on sales and sales mix ,in particular in regions where market share is still low, and on purchasing cooperatives
- cost control and optimization
- concessionaries stock monitoring, in order to avoid issues with sales returns
- improvement in DSO

Assets and financial status

To better understand the company assets and the financial situation, the chart below shows the Balance Sheet reclassification.

Assets

Entry	Year 2010	%	Year 2009	%	Absolute change	% change
WORKING CAPITAL	7.845.184	68,33 %	10.106.010	64,45%	-2.260.826	-22%
Cash	2.241	0,02 %	1.900	0,01 %	341	17,95 %
Cash	2.241	0,02 %	1.900	0,01 %	341	17,95%
Deferred cash	6.060.002	52,76 %	7.805.088	49,78 %	-1.745.086	-22,36 %
Due from shareholders	-	0,00%	-	0,00%	-	
Receivables from current assets on short term	5.150.396	44,84%	6.892.208	43,96%	-1.741.812	-22,27%
Short-term fixed credits	898.373	7,82%	899.162	5,73%	-789	-0,09%
Financial assetes	-	0,00%	-	0,00%	-	
ACCRUED INCOME AND PREPAID EXPENSES	11.233	0,10 %	13.718	0,09 %	-2.485	-18,11%
STOCKS OF RAW MATERIAL AND CONSUMABLES (inventories)	1.782.941	15,52 %	2.299.022	14,66%	-516.081	-22,45%
FIXED ASSETS	3.640.406	31,70 %	5.573.929	35,55 %	-1.933.523	-34,69 %
INTANGIBLE ASSETS	3.575.346	31,13 %	5.505.291	35,11 %	-1.929.945	-35,06 %
TANGIBLE ASSETS	65.060	0,57 %	68.638	0,44 %	-3.578	-5,21 %
FINANCIAL ASSETS	-	0,00%	-	0,00%	-	
Receivables on medium/long term current assets	-	0,00%	-	0,00%	-	
TOTAL USES	11.485.590	100,00 %	15.679.939	100,00 %	-4.194.349	-26,75 %

IN INR

Assets

Entry	Year 2010	%	Year 2009	%	Absolute change	% change
WORKING CAPITAL	469,771,497	68,33 %	606,150,299	64,45%	(135,378,802)	-22%
Cash	134,192	0,02 %	113,773	0,01 %	20,419341	17,95 %
Cash	134,192	0,02 %	113,773	0,01 %	20,419341	17,95 %
Deferred cash	362,874,371	52,76 %	467,370,539	49,78 %	(104,496,168)	-22,36 %
Due from shareholders	-	0,00%	-	0,00%	-	
Receivables from current assets on short term	308,406,946	44,84%	412,707,066	43,96%	(104,300,120)	-22,27%

Entry	Year 2010	%	Year 2009	%	Absolute change	% change
Short-term fixed credits	53,794,790	7,82%	53,842,036	5,73%	(47,246)	-0,09%
Financial assets	-	0,00%	-	0,00%	-	-
ACCRUED INCOME AND PREPAID EXPENSES	672,634	0,10 %	821,437	0,09 %	(148,802)	-18,11%
STOCKS OF RAW MATERIAL AND CONSUMABLES (inventories)	106,762,934	15,52 %	137,665,988	14,66%	(30,903,054)	-22,45%
FIXED ASSETS	217,988,383	31,70 %	333,768,203	35,55 %	(115,779,820)	-34,69 %
INTANGIBLE ASSETS	214,092,574	31,13 %	329,658,144	35,11 %	(115,565,569)	-35,06 %
TANGIBLE ASSETS	3895,809	0,57 %	4,110,059	0,44 %	(214,252)	-5,21 %
FINANCIAL ASSETS	-	0,00%	-	0,00%	-	-
Receivables on medium/long term current assets	-	0,00%	-	0,00%	-	-
TOTAL USES	687,759,880	100,00 %	938,918,503	100,00 %	(251158623)	-26,75 %

Liabilities

Entry	Year 2010	%	Year 2009	%	Absolute change	% change
THIRD PARTIES CAPITAL	13.005.519	113,23 %	16.451.031	104,92 %	-3.445.512	-20,94 %
Current liabilities	12.713.902	110,69 %	16.176.641	103,17%	-3.462.739	-21,41%
Short-term payables (debts)	12.704.029	110,61%	16.176.641	103,17%	-3.472.612	-21,47%
ACCRUED EXPENSES AND DEFERRED INCOME	9.873	0,09 %	-	0,00%	9.873	-
Consolidated liabilities	291.617	2,54 %	274.390	1,75 %	17.227	6,28 %
Medium/long-term payables	0	0,00%	0	0,00%	0	-
CONTINGENCY RESERVES	35.772	0,31 %	12.122	0,08 %	23.650	195,10 %
TFR	255.845	2,23 %	262.268	1,67%	-6,423	-2,45 %
OWN CAPITAL	-1.519.929	-13,23 %	-771.092	-4,92%	-748.837	97,11 %
Share capital	200.000	1,74 %	200.000	1,28 %	-	-
Reserves	3.028.908	26,37%	5.864.800	37,40 %	-2.835.892	-48,35 %
Profit (loss) brought forward	-	0,00%	-	0,00%	-	-
Profit (loss) for the period	-4.748.037	-41,35%	-6.835.892	-43,60 %	2.087.055	-30,53 %
TOTAL SOURCES	11.485.590	100,00 %	15.679.939	100,00 %	-4.194.349	-26,75 %
IN INR						
Liabilities						

Entry	Year 2010	%	Year 2009	%	Absolute change	% change
Entry	Year 2010	%	Year 2009	%	Absolute change	% change
THIRD PARTIES CAPITAL	778,773,592	113.23%	985,091,677	104.92%	-206,318,084	-20.94%
Current liabilities	761,311,497	110.69%	968,661,138	103.17%	-207,349,641	-21.41%
Short-term payables (debts)	760,720,299	110.61%	968,661,138	103.17%	-207,940,838	-21.47%
ACCRUED EXPENSES AND DEFERRED INCOME	591,198	0.09%	-	0.00%	591,198	
Consolidated liabilities	17,462,096	2.54%	16,430,539	1.75%	1,031,557	6.28%
Medium/long-term payables	0	0.00%	0	0.00%	0	
CONTINGENCY RESERVES	2,142,036	0.31%	725,868	0.08%	1,416,168	195.10%
TFR	15,320,060	2.23%	15,704,671	1.67%	-384,611	-2.45%
OWN CAPITAL	-91,013,713	-13.23%	-46,173,174	-4.92%	-44,840,539	97.11%
Share capital	11,976,048	1.74%	11,976,048	1.28%	-	-
Reserves	181,371,736	26.37%	351,185,629	37.40%	-169,813,892	-48.35%
Profit (loss) brought forward	-	0.00%	-	0.00%	-	
Profit (loss) for the period	284313592.8	-41.35%	409334850.3	-43.60%	124973353	-30.53%
TOTAL SOURCES	687,759,880	100.00%	938,918,503	100.00%	-251,158,623	-26.75%

Income Status

To better understand the result of the company management, the chart below shows the Income statement reclassification.

Income Statement

Entry	Year 2010	%	Year 2009	%	Absolute change	% change
PRODUCTION VALUE	12.554.019	100,00 %	9.532.181	100,00 %	3.021.838	315,44 %
- Consumption of raw materials	5.710.777	45,49 %	6.266.209	65,74 %	-555.433	-1128,17 %
- General expenses	6.528.960	52,10 %	5.263.449	55,22 %	1.265.511	415,92 %
VALUE ADDED	314.283	2,50 %	-1.997.477	-20,96 %	2.311.760	-86,41 %
- Other income					0	
- Staff costs	2.443.817	19,47 %	2.393.293	25,11 %	50.524	4736,92 %
- Provisions						
GROSS OPERATING	-2.129.535	-16,96 %	-4.390.770	-46,06 %	2.261.235	-194,18 %

Entry	Year 2010	%	Year 2009	%	Absolute change	% change
PROFIT						
- Amortization, depreciation and impairment	2.402.136	19,13 %	1.677.860	17,60 %	724.276	231,66 %
CHARACTERISTIC OPERATING INCOME	-4.531.670	-36,10 %	-6.068.630	-63,66 %	1.536.960	-394,85 %
+ Other income and proceeds	766.939	6,11 %	1.501.237	15,75 %	-734.298	-204,45 %
- Other operating charges	194.557	1,55 %	67.408	0,71 %	127.149	53,01 %
INCOME BEFORE FINANCIAL MANAGEMENT	-3.959.288	-31,54 %	-4.634.801	-48,62%	675.513	-686,12 %
+ Financial income	226,15		54		172,15	31,37 %
+ Profits and losses on currency exchange	-8.053	-0,06 %	-8.343	-0,09 %	290	-2872,44 %
OPERATING INCOME	-3.967.114	-31,60 %	-4.643.090	-48,71 %	675.976	-686,87 %
+ Financial charges	-194.370	-1,55 %	-210.784	-2,21 %	16.414	-1284,20 %
INCOME BEFORE EXTRAORDINARY MANAGEMENT	-4.161.485	-33,15%	-4.853.874	-50,92 %	692.389	-701,03 %
+ Value adjustments of financial assets		0			0	
+ Extraordinary income and charges	-587.352	4,68 %	-631.785	-6,73 %	44.433	-1421,90 %
INCOME BEFORE TAXES	-4.748.837	-37,83 %	-5.485.659	-57,55 %	736.822	
- Taxes on operating income		0,00 %	1.350.233	14,16 %	-1.350.233	-744,50%
Net income	-4.748.837	-37,83 %	-6.835.892	-71,71 %	2.087.055	-327,54 %

IN INR

Income Statement

Entry	Year 2010	%	Year 2009	%	Absolute change	% change
PRODUCTION VALUE	756,266,205	100.00%	574,227,771	100.00%	182,038,434	315.44%
- Consumption of raw materials	344,022,711	45.49%	377,482,470	65.74%	-33,459,820	-1128.17%
- General expenses	393,310,843	52.10%	317,075,241	55.22%	76,235,602	415.92%
VALUE ADDED	18932,711	2.50%	-120,329,940	-20.96%	139,262,651	-86.41%
- Other income	0		0		0	
- Staff costs	147,217,892	19.47%	144,174,277	25.11%	3,043,615	4736.92%
- Provisions	0		0		0	
GROSS OPERATING PROFIT	-128,285,241	-16.96%	-264,504,217	-46.06%	136,218,976	-194.18%
- Amortization, depreciation and	144,706,988	19.13%	101,075,904	17.60%	43,631,084	231.66%

impairment

CHARACTERISTIC OPERATING INCOME	--272,992,169	-36.10%	-365,580,120	63.66%	92,587,952	-394.85%
+ Other income and proceeds	46,201,145	6.11%	90,435,964	15.75%	-44,234,819	-204.45%
- Other operating charges	11,720,301	1.55%	4,060,723	0.71%	7,659,578	53.01%
INCOME BEFORE FINANCIAL MANAGEMENT	-238,511,325	-31.54%	-279,204,879	-48.62%	40,693,554	-686.12%
+ Financial income	13,624		3,253		10,370	31.37%
+ Profits and losses on currency exchange	-485,120	-0.06%	-502,590	-0.09%	17,470	-2872.44%
OPERATING INCOME	-238,982,771	-31.60%	-279,704,217	-48.71%	40,721,446	-686.87%
+ Financial charges	-11,709,036	-1.55%	-12,697,831	-2.21%	988,795	-1284.20%
INCOME BEFORE EXTRAORDINARY MANAGEMENT	-250,691,867	-33.15%	-292,402,048	-50.92%	41,710,181	-701.03%
+ Value adjustments of financial assets	0	0	0		0	
+ Extraordinary income and charges	-35,382,651	4.68%	-38,059,337	-6.73%	2,676,687	-1421.90%
INCOME BEFORE TAXES	-286,074,518	-37.83%	-330,461,386	-57.55%	44,386,867	
- Taxes on operating income	0	0.00%	81,339,337	14.16%	-81,339,337	-744.50%
Net income	-286,074,518	-37.83%	-411,800,723	-71.71%	125,726,205	-327.54%

Information ex art 2428 C.C.

Here below are analysed in detail the information required by the provisions of art. 2428 of the Civil Code.

Main risks and uncertainties for the company

According to the first paragraph of art. 2428 of the Civil Code, it was not considered necessary to provide further information on this subject as, given the size of the company, the memo accounts and the information specified in the supplementary notes, are already properly expressed on any risk and uncertainty related with the corporate business.

Non-financial main ratios

According to the second paragraph of art. 2428 of the Civil Code, for a better understanding of the company current position, of the business trend and result, indicating the non-financial ratios was considered irrelevant.

Environment information

The company has not proceeded with any particular environmental policy, as unnecessary to its business.

Personnel information

There is no relevant information concerning personnel management.

Also during this financial year, education and training continued to play an important role for the company, that continuously applying for training courses for its agents and employees.

High emphasis was given to education in order to spread proper procedures and to avoid and prevent fraudulent behaviours, according to Legislative Decree 8 June 2001, n°23. The relevant training was provided.

The personnel on the payroll at 31 December consisted of 37 units.

1. R&D activity

According to and setting forth on point 1) of the third paragraph of art. 2428 from Civil Code, no R&D activity was performed during this financial year.

2. Relationships with subsidiaries, associated and parent companies

According to the provisions on point 2) of the third paragraph of art. 2428 from Civil Code the company holds no interests. Ranbaxy Italia has a sole shareholder of 100%, Ranbaxy NBV, which is a subsidiary of Ranbaxy Laboratories Limited.

The company currently has not entered into any type of agreement with subsidiaries, associated or parent companies, but for a sole shareholder's loan accounting for € 3,700,000 [IN INR 221,556,886].

The agreements were governed by normal market conditions.

3. Own shares

According to art. 2428, paragraphs 3 nn. 3 and 4 from the Civil Code, the company has no own shares.

4. Shares/interests of parent company

According to art. 2428, paragraphs 3 nn. 3 and 4 from the Civil Cod, the company holds no interests of parent company.

5. Relevant events occurred after the financial year-end

No relevant events occurred after the financial year-end.

6. Business forecast

According to the provisions on point 6) of the third paragraph of art. 2428 from the Civil Code currently it's hard to forecast the evolution of the management; the current economic assumption indicates uncertainty and drives company to caution and saving policies.

6. bis Use of relevant financial tools for assessment of financial position and results

The company currently makes no use of financial tools for manage its exposure to market price risks, credit risks, cash risks and other risks arising from swing of cash flows.

Other information**Document on Privacy Policy**

According to Legislative Decree n. 196/2003 (Code on privacy policy), the Managing Director acknowledges that the company is compliant with privacy policy according to Legislative Decree n. 196/2003 and to the terms and conditions of it. Especially it should be noted that the Privacy Policy, kept at the operational office is available for reading.

Implementation of the procedures according to Legislative Decree from 8th June 2001, n°231

The company has an Organisational Model according to the Legislative Decree from 8th June 2001, n°231, and enclosed to Ethic Code, that resumes all appropriate procedures to avoid and prevent risky behaviours.

Also we would like to inform you that the company appointed a Surveillance Board of three Members.

* * *

Dear Shareholder,

In the light of the forgoing in the above paragraphs and in the Supplementary Notes, please:

- Approve the Financial Statements for the financial year ended at 31/12/2010 included the Supplementary Notes and this Directors' Report;
- Cover the loss of the financial year amount € 4.748.837 [In INR 28,845,602] use by the reserve account for future capital increases available at 31/12/2010 ; for amount € 3.028.908 [IN INR 181,371,736] and for the remainder of money amount € 1.519.929 [In INR 91,013,713], use by the part of the payment into reserve account of amount € 3.000.000 [IN INR 179,640,719] made before the date of meeting of board.

Milan, _____

Sd/-

Ranbaxy Italia S.p.a.

For the Board of Directors

The President

(Mr. Neeraj Sharma)

February 26, 2011

Audit Report as per art. 14 Law Decr. 27.01.201 nr. 39

To the sole shareholder of

Ranbaxy Italia Spa

1. We have audited the financial statements of Ranbaxy Italia S.p.A. as at and for the year ended 31 December 2010. The company's directors are responsible for drawing up these financial statements in accordance with the Italian regulations governing their preparation. Our responsibility is to express an opinion on these financial statement based on our audit.
2. We conducted our audit in accordance with the auditing standards issued by the Italian Accounting Profession and recommended by Consob (the Italian Commission for Listed Companies and the Stock Exchange). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as whole, reliable. An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by directors. We believe that our audit provides a reasonable basis for our opinion.

We carried out our audit of the financial statements as at and for the year ended 31 December 2010 in compliance with legislation ruling during the year.

Reference on the prior year financial statements, which included the corresponding figures presented for comparative purposes as required by law, is prior year Audit Report, issued by us on 27 April 2010.

3. In our opinion, the financial statements of Ranbaxy Italia Spa as at and for the year ended 31 December comply with the Italian regulations governing their preparation. Therefore, they are clearly stated and give a true and fair view of the financial position and results of operations of the company as at and for the year ended 31 December 2010.
4. The directors of Ranbaxy Italia Spa are responsible for the preparation of a directors' report on the financial statements in accordance with the applicable laws. Our responsibility is to express an opinion on the consistency of the directors' report with the financial statements to which it refers, as required by the law. For this purpose, we have performed the procedures required by the Italian Standard on Auditing 001 issued by the Italian Accounting Profession and recommended by Consob. In our opinion, the directors' report is consistent with the financial statements of Ranbaxy Italia Spa as at and for the year ended 31 December 2010.

Milan,

Sd/-
Marco Ferranni
KPMG Company
26-02-2011

Balance as at 31/12/2010

RANBAXY ITALIA S.P.A.,

Registered office: Piazza Filippo Meda N, 3 Milan (MI)
Registered with the Registrar of Trading Companies in Milan
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Registered in the R.E.A. of Milan no,1787791
Share capital subscribed E 200,000 fully paid-in
VAT number: 04974910962
Sole shareholder

Financial Statements at 31/12/2010

Balance Sheet

Assets

	Parziali	2010	Totali	2,010	Esercizio 2009	IN INR Year 2010	Year 2009
B) FIXED ASSETS							
I - INTANGIBLE ASSETS							
1) Formation expenses					-		
2) Research, development, and advertising costs				23,223	33,041	1,390,599	1,978,503
3) Industrial patent rights and others				5,359	8,508	320,898	509,461
4) Concessions, licenses, trademarks and similar rights				1615227	3401315	96,720,180	203,671,557
5) Goodwill				1928529	2,057,126	115,480,778	123,181,198
6) Assets under construction and part payments					-	-	-
7) Other intangible assets				3,008	5,301	180,120	317,425
TOTAL INTANGIBLE ASSETS				3575345	5,505,291	214,092,515	329,658,144
II - TANGIBLE ASSETS							
2) Equipment and machinery				2,393	2,673	143,293	160,060
4) Other tangible assets				62,667	65,965	3,752,515	3,950,000
TOTAL TANGIBLE ASSETS				65,060	68,368	3,895,808	4,093,892
TOTAL FIXED ASSETS (B)				3640405	5,573,929	217,988,323	333,768,204
C) CURRENT ASSETS							
I - INVENTORY							
1) Raw materials and consumables				211,918	277,000	12,689,701	16,586,826
4) Finished goods and goods for resale				1571023	2,022,022	94,073,234	121,079,162
TOTAL INVENTORY				1782941	2,299,022	106,762,934	137,665,988
II - RECEIVABLES							
1) Trade receivables				4725181	6,675,974	282,944,970	399,758,922
Trade receivables within 12 months						-	-
Trade receivables beyond 12 months						-	-

Balance as at 31/12/2010

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 Share capital subscribed E 200,000 fully paid-in
 VAT number: 04974910962
 Sole shareholder

Financial Statements at 31/12/2010
 Balance Sheet

Assets

Balance Statement	Parziali	2010	Totali	2,010	Esercizio 2009	IN INR	
						Year 2010	Year 2009
RANBAXY ITALIA S.P.A.						-	-
						IN INR	
	Parziali	2010	Totali	2,010	Esercizio 2009	Year 2010	Year 2009
4-bis) Tax credits				64	24	3,832	1,437
Tax credits within 12 months						-	-
Tax credits beyond 12 months						-	-
4-ter) Advanced taxes				898,273	899,162	53,788,802	53,842,036
Advanced taxes within 12 months						-	-
Advanced taxes beyond 12 months						-	-
5) Other receivables from third parties				425,151	216,210	25,458,144	12,946,707
Other receivables from third parties within 12 months						-	-
Other receivables from third parties beyond 12 months						-	-
TOTAL RECEIVABLES				6,048,769	7,791,370	362,201,737	466,549,102
IV - CASH AND BANKS							
1) Bank and postal deposits					-	-	-
3) Cash				2,241	1,900	134,192	113,772
TOTAL CASH AND BANKS				2,241	1,900	134,192	113,772
TOTAL CURRENT ASSETS (C)				7,833,951	10,092,292	469,098,862	604,328,862
D) DEFERRALS AND ACCRUALS - ASSETS							
Prepayments and deferred expenditures				11,233	13,718	672,635	821,437
TOTAL DEFERRALS AND ACCRUALS - ASSETS (D)				11,233	13,718	672,635	821,437
TOTAL ASSETS				11,485,590	15,679,939	687,759,880	938,918,503

Balance as at 31/12/2010

RANBAXY ITALIA S.P.A.,

Registered office: Piazza Filippo Meda N, 3 Milan (MI)
 Registered with the Registrar of Trading Companies in Milan
 Tax payer Code and registration no, 04974910962
 Registered in the R.E.A. of Milan no,1787791
 Share capital subscribed E 200,000 fully paid-in
 VAT number: 04974910962
 Sole shareholder

Financial Statements at 31/12/2010
 Balance Sheet

Assets

	Parziali	2010	Totale	2,010	Esercizio 2009	IN INR	Year 2010	Year 2009
RANBAXY ITALIA S.P.A.			Balance as at 31/12/2010				-	-
Parziali	2010	Totale		2010	Esercizio 2009	IN INR	Year 2010	Year 2009
Debts towards members for financing within 12 months							-	-
Debts towards members for financing beyond 12 months							-	-
4) Bank overdrafts, advances and loans				3,622,765	5,282,959		216,932,036	316,344,850
Bank overdrafts, advances and loans within 12 months							-	-
Bank overdrafts, advances and loans beyond 12 months							-	-
7) Trade payables				2,415,104	3,258,574		144,617,006	195,124,192
Trade payables within 12 months							-	-
Trade payables beyond 12 months							-	-
11) Payables to parent companies				2,298,575	3,821,889		137,639,222	228,855,629
Payables to parent companies within 12 months							-	-
Payables to parent companies beyond 12 months							-	-
12) Taxes payables				31,787	66,099		1,903,413	3,958,024
Taxes payables within 12 months							-	-
Taxes payables beyond 12 months							-	-
13) Social security payables				159,052	137,204		9,524,072	8,215,808
Social security payables within 12 months							-	-
Social security payables beyond 12 months							-	-
14) Other payables				271,840	281,164		16,277,844	16,836,168
Other payables within 12 months							-	-
Other payables beyond 12 months							-	-
TOTAL PAYABLES (D)				12,704,029	16,176,641		760,720,299	968,661,138
E) DEFERRALS AND ACCRUALS - LIABILITIES							-	-
Accruals and deferred income				9,873			591,198	-
TOTAL DEFERRALS AND ACCRUALS - LIABILITIES (E)							-	-
TOTAL LIABILITIES		11.485.590		11,485,590	15,679,939		687,759,880	938,918,503

Balance as at 31/12/2010

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Sole shareholder

Financial Statements at 31/12/2010

Balance Sheet

Assets

	Parziali	2010	Totali	2,010	Esercizio 2009	IN INR Year 2010	Year 2009
						-	-
Profit and loss account						IN INR	IN INR
Parziali	2010	Total!		2010	Esercizio 2009	Year 2010	Year 2009
A) PRODUCTION VALUE							-
1) Net sales from products and services				12554019	9,529,735	756,266,205	574,080,422
2) Variation of inventory products				0	2,446	-	147,349
5) Other operating income				766,939	1,501,237	46,201,145	90,435,964
Other operating revenues			766,939		1,501,237	-	90,435,964
TOTAL PRODUCTION VALUE				13320958	11,033,418	802,467,349	664,663,735
B) PRODUCTION COSTS						-	-
Balance Statement					3	-	-
						-	-

Balance as at 31/12/2010

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Financial Statements at 31/12/2010
 Balance Sheet

Assets

	Parziali	2010	Totali	2,010	Esercizio 2009	IN INR	
						Year 2010	Year 2009
RANBAXY ITALIA S.P.A.			Balance as at 31;12/2010			IN INR	IN INR
Parziali	2010	Totali		2010	Esercizio 2009	Year 2010	Year 2009
6) Costs of raw materials, auxiliary materials, merchandise and other goods				5,191,888	6,266,209	312,764,337	377,482,470
7) Costs of services				6,109,592	4,847,032	368,047,711	291,989,880
8) Costs for use of third parties assets				419,367	416,417	25,263,072	25,085,361
9) Labour costs				2,443,817	2,393,293	147,217,892	144,174,277
a) Salaries and wages		1,734,137			1,689,147	104,466,084	-
b) Costs of social security		534,221			562,012	32,181,988	-
c) Staff leave indemnity		129,017			111,651	7,772,108	-
e) Other labour costs		46,442			30,483	2,797,711	-
10) Depreciation and write downs			240,2136	1,677,860		144,706,988	101,075,904
a) Depreciation of intangible fixed assets		2,267,129		1,602,364	136,574,036	-	96,527,952
b) Depreciation of tangible fixed assets		31,946		31,996	1,924,458	-	1,927,470
d) Current assets written off		103,061		43,500	6,208,494	-	2,620,482
11) Variation of inventory of raw materials, consumables and goods for resale				518,889	-	31,258,373	-
14) Other operating expenses				194,557	67,408	11,720	4,060,723
TOTAL PRODUCTIONS COSTS				17,280,245	15,668,513	1,040,978,614	943,886,325
Net income from operating activities (A - B)				-3,959,288	(4,634,801)	(238,511,325)	(279,204,880)
C) FINANCIAL INCOME AND EXPENSES							
16) Other financial income				226	54	13,614	3,253
d) Other financial income		226			54	13,614	3,253
from other companies		226			54	13,614	3,253
17) Interests payable and other financial expenses			(194,370)	(210,784)	-	(11,709,036)	(12,697,831)
to parent companies					-	-	-
to other companies		(194,370)		(210,784)	(11,709,036)	-	(12,697,831)
17-bis) Profit and loss on exchange				(8053)	(8,343)	(485,120)	(502,590)
NET FINANCIAL INCOME (LOSS) (15+16-17+-17bis)				(202,197)	(219,073)	(12,180,542)	(13,197,169)
E) EXTRAORDINARY INCOME AND EXPENSES						-	-

Balance as at 31/12/2010

RANBAXY ITALIA S.P.A.,

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Share capital subscribed E 200,000 fully paid-in
VAT number: 04974910962
Sole shareholder

Financial Statements at 31/12/2010

Balance Sheet

Assets

	Parziali	2010	Totali	2,010	Esercizio 2009		IN INR	
							Year 2010	Year 2009
20) Extraordinary income					-	-	-	-
Difference from rounding-off to Euro unit					-	-	-	-
Other extraordinary income					-	-	-	-
21) Extraordinary expenses				(587,352)	(631,785)	-	(35,382,651)	(38,059,337)
Other extraordinary expenses			(587,352)		(631,785)	(35,382,651)	-	(38,059,337)
NET EXTRAORDINARY INCOME (LOSS) (20 - 21)				(587,352)	(631,785)	-	(35,382,651)	(38,059,337)
Result before taxes (A-B+-C+-D+-E)		(4.748.837)		(4,748,837)	(5,485,659)	-	(286,074,518)	(330,461,386)
22) Current, deferred and advanced income taxes for the period					1,350,233	-	-	81,339,337
Advanced income taxes for the period					1,350,233	-	-	81,339,337
23) Net income (loss) for the year		(4.748.837)		(4,748,837)	(6,835,892)	-	(286,074,518)	(411,800,723)

The above balance is true and real and corresponds to book entries.

Balance Statement

RANBAXY ITALIA S.P.A.

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Sole shareholder

Supplementary Notes to the Financial Statements *Financial Statements at 31/12/2010*

Introduction to the Supplementary Notes

Dear Shareholder,

With reference to the Financial Statements of your company closed at December 31, 2010 we set out below the data and information required by the relevant provisions of the law.

These Supplementary Notes are an integral part to the Financial Statements closed at December 31, 2010 and they disclose the result of the Company's sixth year of activity, as it was set up in 2005.

The Financial Statements were drawn up in compliance with article 2423 and subsequent articles of the Civil Code, the Accounting Standards and relevant interpretation of the Italian Accounting Institution (hereinafter OIC). They convey a true and fair view of the assets, financial situation and result for the period of the company.

The Balance Sheet and the Income statement have been drafted according to the provisions of art. 2424 and 2425 of the Civil Code .

The Notes to the Financial Statements, drawn up pursuant to art. 2427 of the Civil Code, disclose all the information that is deemed necessary to provide a true and fair view of the Financial Statements.

Please refer to the enclosed Management's Report for a detailed description of the company's activity, of the events occurred after the end of the FY, of the relationships with related parties and the foreseeable future trend of the company's management.

Drafting information

Financial Statements drafting

With reference to what indicated in the introduction of these Supplementary Notes, we point out that, pursuant to art. 2423, par. 3 of the Civil Code, all the additional information deemed necessary to provide a true and fair view of the corporate situation has been disclosed.

No extraordinary events occurred, which made it necessary to make exceptions as under art. 2423, par. 4 and art. 2423-bis, par. 2 of the Italian Civil Code.

Values in these Financial Statements as well as in these Supplementary Notes are expressed in Euros, in compliance with the provisions laid down in the Italian Civil Code.

Financial Statements drafting principles

The valuation of the posted items was carried out according to the standard of prudence and on an accrual-basis, with a view to the going-concern of the company. In compliance with the provisions of art. 2423-bis, no. 1, last paragraph of the Italian Civil Code, in posting the assets and liabilities the substantial aspects were given priority with respect to the formal ones.

On drawing up these Financial Statements, costs and revenues have been entered on an accrual basis, independently from their actual cash occurrence (collection and payments).

The company incurred significant losses during this and the previous FYs in connection with the development and growth of the business. The Shareholders' Equity as at December 31, 2010 is negative, therefore it falls under the case provided by art. 2447 of the Italian Civil Code.

The financial debt as at December 31, 2010 amounts to €7.527.671 [IN INR 450,758,742] of which €3.622.765 [IN INR 216,932,036] is owed to banks.

The sole shareholder represented its commitment to finance the company and, in this case, made a capital contribution for an amount of €3,000,000 [IN INR 179,640,719] , thus replenishing the share capital and restructuring the situation described above.

We point out that the above payment will be sufficient to absorb the loss of operation envisaged in the 2011 budget, leaving intact the capital. Because of the shareholder's commitment and of the contribution already made, these financial

statements are drawn up with a view to the going concern of the company.

Draft Financial Statements structure and contents

The Balance sheet, the Income statement and the other accounting information contained in these notes comply with the accounting records from which they have been directly derived.

In drafting the Balance sheet and the Income statement, no items preceded by Arabic numbers have been grouped together, as optionally provided for by art. 2423 ter of the Italian Civil Code.

In order to give a clearer view of the Financial Statements, no items preceded by Arabic numbers or by lower-case letters whose corresponding value is nul, either for the current fiscal year or for the previous one.

According to art. 2423-ter of the Italian Civil Code, all items were comparable with those of the previous fiscal year, so that no adjustment was necessary.

According to art. 2424 of the Italian Civil Code, we confirm that there are no items among assets or liabilities posted under different entries of the draft Financial Statements.

1. Evaluation criteria

The criteria applied to evaluate the items posted and the value adjustments comply with the provisions of the Italian Civil Code. These items have not changed with respect to the previous FY.

In compliance with the new provisions introduced by the company law reform, the accounting values expressed in foreign currency have been entered – after being converted in Euros according to the exchange rate in force at the moment of the entry.

The assets and liabilities which do not constitute fixed assets and capitalised financial receivables have been entered according to the spot cash exchange rate on the closing date of the FY. The profits and losses resulting from the exchange have been entered in the income statement under item 17 bis - profits and losses on currency exchange. On this point, it is noted that there are no tangible assets to the balance sheet date.

Between the closing of the FY and the reporting date there have been no significant changes in the foreign currency exchange rates.

Fixed assets

Fixed assets are posted at their purchase cost and/or production cost.

Production costs also include direct costs for the share that may be reasonably charged to each fixed asset, relating to the manufacturing period and until the asset is objectively available for use.

According to art. 10 of the law dated March 19, 1983, No. 72, and as recalled by the following monetary revaluation laws, we point out that no monetary revaluation have been carried out for tangible and intangible assets still registered in the company's equity.

Intangible assets

Intangible assets are entered among the assets in the Balance sheet, upon the prior consent by the Board of Statutory Auditors as necessary, at their purchase and/or manufacturing cost and they are depreciated on a straight-line basis according to their remaining useful life.

The assets value is entered net of amortisation and depreciation funds.

The depreciations were made in compliance with the following pre-arranged scheme, which is thought to properly allocate the cost borne during the intangible fixed assets' useful life:

Entries for intangible fixed assets	Period
Start-up and expansion costs	{20,00}%
Concessions, licenses and trademarks (software)	{33,33}%
Concessions, licenses and trademarks (marketing authorisations, "AIC")	{20,00}%
Concessions, licenses and trademarks (trademarks)	{5,56}%
Goodwill	{5,00}%
Other fixed assets (improvement of third parties' assets)	{10,00}%

The depreciation criteria of intangible assets have not been changed with reference to the past FY.

The depreciation of goodwill, starting from 2008, has been spread over 20 years instead of 5 years. Consequently, the goodwill depreciation rate has been reduced, from a previous 20% to the current 5%.

Since the goodwill was acquired against payment and entered among the assets in the Balance sheet with the approval of the Board of Statutory Auditors, pursuant to art. 2426, par. 1 n. 6 of the Italian Civil Code, it has been considered as appropriate to depreciate it over a 20-years period, once ascertained that period does not exceed its useful life.

For information purposes required by art. 2426, par. 1 point 2 of the Italian Civil Code, we also underline that the change of the depreciation rates applied to the goodwill derives from a review of the company's plans on the utilisation of assets, resulting from a continuation of the return on investment that confirm the usefulness of higher future 5 years initially planned.

As a consequence of the abovementioned reasons, the depreciation rates adjustment has been functional to get a better correspondence between costs and profits.

We point out that, pursuant to art. 2426, par. 1 n. 3 of the Italian Civil Code, it was necessary to devalue the marketing authorisation purchased from third parties outside the group, product no longer 'sold out or during marketing declining, see the paragraph about 'Movements of Assets'.

Start-up and expansion costs

Start-up and expansion costs have been posted among the assets in the Balance sheet with the approval of the Board of Statutory Auditors, since their useful life can be estimated to cover many years according to the standard of prudence; said costs will be depreciated within five years at the longest.

R&D and advertising costs

These costs only comprise advertising costs. They have been posted among the assets in the Balance sheet with the approval of the Board of statutory Auditors, since their useful life lasts more than one year; these costs will be depreciated within five years at the longest.

Goodwill

As previously noticed, the goodwill, acquired against payment and entered among the assets in the Balance sheet with the approval of the Board of Statutory Auditors – starting from FY 2008 - are depreciated over a 20-years period, i.e. beyond the five-year term established by art. 2426, par. 1, n. 6 of the Italian Civil Code, considering its useful life, which can be estimated to cover many years, and its use, as resulting from the business plans prepared by the management.

In particular, the analysis carried out in order to evaluate a possible impairment of goodwill confirmed the goodwill amount without operating any devaluation for the current FY; this upon consideration of:

- plans for sales / profit for the years 2011-2015
- the responsiveness of sales in first two months of 2011 with expectations, confirming the expected growth.

Tangible assets

Tangible assets have been registered in the Financial statements at the purchase and/or manufacturing cost, increased by additional charges paid until the assets became operative. The production cost is equal to all the manufacturing costs paid until the good became operative, either direct or common manufacturing costs.

The amortisation criteria of tangible assets have not changed with respect to those applied in the previous FY.

We point out that it was not necessary to operate any impairments pursuant to art. 2426 comma 1 n.3 of the Italian Civil Code.

Current assets

Stocks

Stocks only include finished goods. These have been registered at the lowest value between the purchase and the fair value as it can be inferred from market trends.

The purchase cost includes the possible additional direct charges.

The cost of unsold stocks of replaceable goods has been calculated using the method of weighted average cost in order to reflect the market prices trend, evaluating stocks at the most recent costs.

The value so calculated has been duly compared with the fair value that can be inferred from the market trend, as explicitly required by art. 2426 of the Civil Code.

For the provisions for stocks devaluation the Ranbaxy Group policy has been followed, based on the following rule:

- 100% devaluation rate for the stock value of the expired products;
- 100% devaluation rate for the stock value of product with expiry dates within 1 to 6 months;
- 50% devaluation rate for the stock value of products with expiry dates from 6 to 12 months.
- 25% of the value of stock of the product with expiration date more than 12 months but with a residual maturity of less than 50% of the 'shelf life'.

Receivables

Receivables have been entered in the Financial Statements at the net book value in compliance with the provisions of art. 2426 n.8 of the Italian Civil Code; the adjustment to this value has been made by creating a provision for bad debts, whose total amount and movements have been detailed under point 4 of these Supplementary notes.

Deferred tax assets

Deferred tax assets result being posted among tax credits for an amount equal to €898,373 [IN INR 53,794,790].

The abovementioned deferred tax assets have been registered on the basis of the reasonable certainty that taxable income will be made in the future fiscal years. This also results from the Company budget drafted for the years 2011 and 2012-2015 strategic plans approved by the Board of Directors.

The company has seen to:

- Maintaining the balance of deferred tax assets for FY 2005, since it can be carried forward without limitations;
- Include the deferred tax assets amounting to EUR 865,684 [IN INR 51,837,365], unchanged from December 31, 2009 credit on the basis of the above in respect of the reasonable certainty of profits that are taxable in future periods.

For the relevant details, please refer to the paragraph on deferred taxation in these Supplementary notes.

Prepayments and accrued income

Prepayments and accrued income have been posted in the Financial statements on an accrual basis i.e. on the basis of the FY costs and revenues are related to.

Provisions for liabilities and charges

Provisions for liabilities and charges

The balance of the provisions for risks is equal to €33,000 [In INR 1,976,048] and refers to FISC at December 31, 2010.

During the FY no certain or possible cost entries have been registered, whose total amount and occurrence date are unknown.

Deferred tax liabilities

The deferred tax liabilities are referred to temporary differences arisen in the previous FYs.

The provision for deferred taxes is equal to €2,772 [IN INR 165,988].

Please refer to the deferred taxation paragraph of these Supplementary notes for details.

Employees leaving indemnity

Employees leaving indemnity has been calculated in accordance with art. 2120 of the Italian Civil Code, considering the provisions of the law, the distinctive features of contracts and professional categories and it comprises all the annual accruals and the revaluations calculated on the basis of the ISTAT (Central Statistics Institute) rates.

The amount of the provision is registered net of advance payments and accruals paid for the termination of employment during the FY and it represents the certain amounts due to subordinate employees at the closing date of the Financial Statements.

Payables

Payables are entered in the Financial Statements at their nominal value, eventually adjusted on the occasion of following variations. At the reporting date of Financial Statements, there are neither payables with a period longer than five years, and debts secured by mortgages on real special.

Deferred income and accrued liabilities

Accruals and deferred income has been budgeted in accordance with the actual accrual of costs and revenues to which they relate.

Determination of revenues

The revenues for products sales or services supply have been registered on transfer of ownership on the basis of the delivery or sending criteria and of returns respectively. The financial revenues, instead, have been registered on an accrual-basis.

The revenues and profits, as well as the costs and charges relevant to operations in foreign currency have been determined at the foreign exchange rate on the date in which the operation was carried out.

Memorandum accounts

They have been registered at the foot of the Balance sheet, according to the provisions of art. 2424, par. 3 of the Italian Civil Code.

These are liabilities, particularly bank guarantees. They have been posted in the Memorandum at their nominal value as per relevant documents.

Translation criteria for values expressed in foreign currency

The assets and liabilities, which do not represent intangible assets, have been entered at the exchange rate of the closing date of the FY. The profits and losses on currency exchange have been posted in the Income statement under entry 17 bis Exchange profits and losses. These are referred mainly to ordinary intercompany operations.

There are no intangible assets in foreign currency at the date of FY closing.

From the FY closing to the reporting date, no significant effects in foreign currency fluctuations have been registered.

2. Assets changes

In this paragraph of the Supplementary notes, the changes in tangible and intangible assets have been analysed. There are no financial assets at the closing date of these Financial Statements.

For each entry of the assets it was specified, where applicable:

- The historical cost;
- The previous devaluations and depreciations existing at the beginning of the FY;
- The acquisitions, shifting from an entry to another one, the disposal or removal occurred during the FY;
- The devaluations and depreciations made during the FY;
- The final value of the asset.

We would also like to specify, as stated above, that no revaluations have been made during the current FY, nor in the previous ones.

Changes in intangible assets

Intangible assets amounted to €3,575,346 [IN INR 214,092,575], as previously reported, during 2010 were written license (marketing authorization) purchased from third parties outside the group, product no longer sold out or during marketing declining.

The impact on total income for 2010 and amortization and impairment amounted to €2,267,129 [IN INR 136,574,036] comprised:

- amortization of €1,515,693 [IN INR 91,306,807]
- write-downs of €751,435 [IN INR 45,267,169]

For a thorough evaluation and analysis of changes occurred in intangible assets, please refer to what set out in detail in the enclosures to these Supplementary notes.

Changes in tangible assets

Tangible assets gross of the relevant accumulated depreciations are equal to €143.683 and the relevant provisions for depreciation are equal to €78.623 [IN INR 4,736,325].

For a thorough evaluation and analysis of changes occurred in tangible assets, please refer to what set out in detail in the enclosures to these Supplementary notes.

3. Composition of assets

The following chart included the composition of start-up and expansion costs, as well as of R&D and advertising costs. The entries below have been posted among the assets with the approval of the Board of Statutory Auditors, as according to the standard of prudence their useful life is estimated to cover many years and they are depreciated over the maximum period of 5 years.

The depreciation criteria of these entries have been set out in the previous paragraph "Evaluation criteria".

According to art. 2426, point 5) of the Italian Civil Code, until depreciation has been completed, dividends can be distributed only if sufficient available reserves are allocated to cover the amount of non-depreciated costs.

Start-up and expansion costs

The following chart sets out the composition of start-up and expansion costs.

Description	Items	2010	2009	Change in figures
<i>Start-up and expansion costs</i>				
	Corporate expenses	8.467	8.467	-
	Provision for the depreciation of corporate expenses	8.467-	8.467-	-
	Total	-	-	-

IN INR

Description	Items	2010	2009	Change in figures
<i>Start-up and expansion costs</i>				
	Corporate expenses	510,060	510,067	-
	Provision for the depreciation of corporate expenses	(510,060)	(510,067)	-
	Total	-	-	-

R&D and advertising costs

The following chart sets out the composition of R&D and advertising costs.

Description	Items	2010	2009	Change in figures
<i>R&D and advertising costs</i>				
	Advertising costs	49.089	49.089	-
	Provision for the depreciation of <i>advertising costs</i>	25.866-	16.049-	9.818-
	Total	23.223	33.040	9.818-

IN INR

Description	Items	2010	2009	Change in figures
<i>R&D and advertising costs</i>				
	Advertising costs	2,957,169	2,957,169	-
	Provision for the depreciation of <i>advertising costs</i>	(1,558,193)	(966,807)	(591,445)
	Total	1,398,976	1,990,361	(591,445)

As from the above table, this entry included only advertising costs. These costs have been recorded with the consent of the Board of Statutory auditors, as costs lasting many years.

Particularly, these advertising costs are related to the purchase of “shopping bags” with the corporate logo, which will be used over the next FYs.

4. Changes in the value of other items among assets and liabilities

Regarding the closing FY and in compliance with the provisions of art. 2427, par. 1, n. 4 of the Italian Civil Code, the following charts included for each entry among assets and liabilities the initial balance, the changes occurred during the FY and the relevant final balance.

Stocks

As previously said, stocks are only made up of finished products and raw materials.

Below are the amounts required by art. 2427 of the Italian Civil Code.

Description	Items	Initial value	Increase	Under the same entry	To other entries	Decrease	Final value
<i>Raw and subsidiary materials</i>							
	<i>Raw and subsidiary materials</i>	277.000	-			65.082-	211.918
	Total	277.000		-	-	65.082-	211.918
<i>Finished products and goods</i>							
	Finished products	2.972.649	-	-	-	715.302-	2.257.348
	Write-downs of finished products	950.627	-	-	-	264.302-	686.325
	Total	2.022.022		-	-	451.000-	1.571.023

IN INR

Description	Items	Initial value	Increase	Under the same entry	To other entries	Decrease	Final value
<i>Raw and subsidiary materials</i>							
	<i>Raw and subsidiary materials</i>	16,686,746	-			(3,920,602)	12,766,145
	Total	16,686,746	-			(3,920,602)	12,766,145
<i>Finished products and goods</i>							
	Finished products	179,075,524	-	-	-	(43,090,4820)	135,984,819
	Write-downs of finished products	57,266,687	-	-	-	(15,921,807)	41,344,880
	Total	121,808,554	-	-	-	(27,168,674)	94,639,940

Raw materials are stamps applied to purchased finished products.

Closing stocks reflect the proper measurement and evaluation of stocks according to the policy of Ranbaxy.

Debtors

Description	Items	Initial value	Increase	Decrease	Final value
<i>Trade debtors</i>					
	Credit notes to be issued to third party clients	1.132.124-		660.557	471.566-
	Bills receivable	1.711.467		173.392-	1.538.075
	Italian trade debtors	6.145.631		2.338.228-	3.807.403
	Invoices to be issued to third party clients	1.000	269	-	1.269
	Provisions for bad debts (trade debtors)	50.000-	100.000-	-	150.000-
	Totale	6.675.974	99.731-	1.851.063-	4.725.181
<i>Tax credit</i>					
	Withholdings on interest receivable	24	40	-	60
	IRES tax	0	-	-	0
	VAT	0		-	0
	Total	24	40	-	60
<i>Advance income taxes</i>					
	Tax credit for advance income taxes	899.162		789-	898.373
	Total	899.162		789-	898.373

Description	Items	Initial value	Increase	Decrease	Final value
<i>Accounts receivable from other undertakings</i>					
	Advance payments to third party suppliers	194.234	191.898		386.132
	Sundry guarantee deposits	19.390	-	-	19.390
	Receivables for reimbursements	2.586	6.472	-	9.058
	Credit for INAIL	0	10.571	-	10.571
	Total	216.210	208.941	-	425.151

IN INR

Description	Items	Initial value	Increase	Decrease	Final value
<i>Trade debtors</i>					
	Credit notes to be issued to third party clients	(67,791,856)		39,554,311	(28,237,485)
	Bills receivable	102,483,054		(10,382,754)	92,100,299)
	Italian trade debtors	368,001,856		(140,013,653)	227,988,204
	Invoices to be issued to third party clients	59,880	16,108	-	75,988
	Provisions for bad debts (trade debtors)	(2,994,012)	(5,988,024)	-	(8,982,035)
	Totale	399,758,922	(5,971,916)	(110,842,096)	282,944,970
<i>Tax credit</i>					
	Withholdings on interest receivable	1,437	2,395	-	3,592
	IRES tax	0	-	-	0
	VAT	0		-	0
	Total	1,437	2,395	-	3,592
<i>Advance income taxes</i>					
	Tax credit for advance income taxes	53,842,036		(47,246)	53,794,790
	Total	53,842,036		(47,246)	53,794,790
<i>Accounts receivable from other undertakings</i>					
	Advance payments to third party suppliers	11,630,778	11,490,898		23,621,676
	Sundry guarantee deposits	1,161,078	-	-	1,161,078
	Receivables for reimbursements	154,850	387,545	-	542,395
	Credit for INAIL	0	632,194	-	632,194

Description	Items	Initial value	Increase	Decrease	Final value
	Total	12,946,707	12,511,437	-	25,458,144

The item "Credit notes to be issued to third parties" has undergone a sharp decline since the end of 2009; this is because in 2010 have been issued credit notes to the huge returns received from the market in 2009, using the special fund set up. At the same time have been granted credit notes for returns related to deliveries made in 2010 for an estimated amount equal to about 5% of sales in 2010.

The item "Receivables" amounted to €1,538,075 [IN INR 92,100,299] relates to the RIBA in the portfolio at the Deutsche Bank and advances on bank Banca Popolare di Milano.

The "Italian Trade Debtors", shows a substantial reduction in the total column due to improvements in the management of the reminder of payments from customers as a result of the resolution of the issues of returns from the market from previous years. As a result, the actual average collection time increased from 251 days earlier this year to 153 at the end of December.

The credits in the budget appear to be all due within one year, except of the customer 'Eredi Rizzuti' since is being a legal action for recovery of credit (€33 thousand [IN INR 1,976 thousands]).

Regarding the item "Tax credit for advance income taxes" refers to what is stated in paragraph 14.

Cash at bank and in hand

Description	Items	Initial value	Increase	Decrease	Final value
<i>Current bank accounts and post-office deposits</i>					
	Bank	-	-	-	-
<i>Cash and cash equivalents</i>					
	Cash in hand	1.900	341	-	2.241
	Total	1.900	341	-	2.241

IN INR

Description	Items	Initial value	Increase	Decrease	Final value
<i>Current bank accounts and post-office deposits</i>					
	Bank	-	-	-	-
<i>Cash and cash equivalents</i>					
	Cash in hand	113,772	20,419	-	134,192
	Total	113,772	20,419	-	134,192

Accrued income and prepayments

Description	Items	Initial value	Increase	Decrease	Final value
<i>Accrued income and prepayments</i>					
	Accrued income	2.729	3.332		6.062
	Prepayments	10.989	-	5.818-	5.171
	Total	13.718	3.332	5.818-	11.233

IN INR

Description	Items	Initial value	Increase	Decrease	Final value
<i>Accrued income and prepayments</i>					
	Accrued income	163,413	199,521		362,994
	Prepayments	658,024	-	(348,383)	309,640
	Total	821,437	199,521	(348,383)	672,635

Shareholders' equity

Description	Items	Initial value	Increase	Decrease	Final value
<i>Share Capital</i>					
	Share capital	200.000	-	-	200.000
	Total	200.000	-	-	200.000
<i>Other reserves</i>					
	Other reserves	5.864.802	4.000.000	-6.835.894	3.028.908
	Total	5.864.802	4.000.000	-6.835.894	3.028.908
<i>Profits/Losses of the FY</i>					
	Losses of the FY	-6.835.892	-	-2.087.054	-4.748.837
	Total	-6.835.892	-	-2.087.054	-4.748.837

IN INR

Description	Items	Initial value	Increase	Decrease	Final value
<i>Share Capital</i>					
	Share capital	11,976,048	-	-	11,976,048
	Total	11,976,048	-	-	11,976,048
<i>Other reserves</i>					
	Other reserves	351,185,749	239,920,958	(409,334,970)	181,371,737
	Total	351,185,749	239,520,958	(409,334,970)	181,371,736
<i>Profits/Losses of the FY</i>					
	Losses of the FY	(409,334,850)	-	(124,973,293)	(284,361,497)
	Total	(409,334,850)	-	(124,973,293)	(284,361,497)

As described above, as at December 31, 2010, the Company is in the situation provided at art.2447 of the Italian Civil Code.

Please note that, with the confirmation received by the sole shareholder, the Company will receive by the date of approval by the Board of Director for this budget a capital contribution of approximately €3,000,000 [in inr 179,640,719] and, accordingly, the date of approval of this budget the capital will be completely reconstituted.

Provisions for liabilities and charges

Description	Items	Initial value	Increase	Decrease	Final value
<i>Provision for income taxes – including deferred taxes</i>					
	Severance & retirement pension fund	9.350	23.650		33.000
	Provision for deferred income taxes	2.772	-		2.772
	Total	12.122	23.650	-	35.772

IN INR

Description	Items	Initial value	Increase	Decrease	Final value
<i>Provision for income taxes – including deferred taxes</i>					
	Severance & retirement pension fund	559,880	1,416,168		1,976,048
	Provision for deferred income taxes	165,988	-		165,988
	Total	725,868	1,416,168	-	2,142,036

Subordinate employees' leaving indemnity

Description	Items	Initial value	Provision	Amount used	Final value
<i>Subordinate employees' leaving indemnity</i>					
	Provision for subordinate employees' leaving indemnity	262.268	103.998	110.491	255.845
	Total	262.268	103.998	110.491	255.845

IN INR

Description	Items	Initial value	Provision	Amount used	Final value
<i>Subordinate employees' leaving indemnity</i>					
	Provision for subordinate employees' leaving indemnity	15,704,671	6,227,425	6,616,228	15,320,060
	Total	15,704,671	6,227,425	6,616,228	15,320,060

Creditors

Description	Items	Initial value	Increase	Decrease	Final value
<i>Amounts owed to shareholders for loans</i>					
	Interest-bearing loan from shareholders	3.200.000	500.000	-	3.700.000
	Interests on interest-bearing loan from shareholders	128.752	76.155	-	204.906
	Total	3.328.752	576.155	-	3.904.906
<i>Bank loans</i>					
	Bank	5.282.959	-	1.660.194-	3.622.765
	Total	5.282.959	-	1.660.194-	3.622.765
<i>Trade creditors</i>					
	Invoices to be received from third party suppliers	1.666.667	-	577.660-	1.089.007
	Foreign trade creditors	828.906	-	387.343-	441.563
	Italian trade creditors	763.001	121.533	-	884.534
	Total	3.258.574	121.533	965.003-	2.415.104
<i>Amounts owed to subsidiaries</i>					
	Amounts owed to subsidiaries	3.821.889	-	1.523.313-	2.298.575

Total	3.821.889	-	1.523.313-	2.298.575
<i>Taxation</i>				
VAT due	22.689		49.432-	26.742-
Withholding taxes on subordinate employment income	37.163	15.089	-	52.252
Withholding taxes on business agents income	5.823	-	159-	5.663
Substitute tax	423	191		614
Total	66.099	15.280	49.591-	31.787
<i>Social security</i>				
Amounts due to INPS (subordinate employees)	80.047	9.168	-	89.215
Amounts due to INAIL (subordinate employees/collaborators)	631	10.216	-	10.847
Amounts due to ENASARCO	2.581	-	3.860-	1.279-
Amounts due to INPS (for deferred remunerations)	48.278	2.116	-	50.394
Other social security funds	1.220	1.608	-	2.828
FONTE fund	-	6.359	-	6.359
Sundry social security contributions	4.446	-	3.759-	687
Total	137.204	29.467	7.619-	159.052
<i>Other creditors</i>				
Amounts owed to third parties	20.351		5.347-	15.004
Bills of expenses	21.097	75	-	21.170
Clients advance payments	40.640	-	40.640-	-
Personnel remunerations	-	60.374	-	60.374
Amounts owed to personnel	199.077	-	23.785-	175.292
Total	281.164	60.449	69.772-	271.840

IN INR

Description	Items	Initial value	Increase	Decrease	Final value
<i>Amounts owed to shareholders for loans</i>					
Interest-bearing loan from shareholders		191,616,766	29,940,120	-	221,556,886
Interests on interest-bearing loan from shareholders		7,710,299	4,560,180	-	12,269,820
Total		199,326,467	34,500,299	-	233,826,707
<i>Bank loans</i>					
Bank		316,344,850	-	(99,412,814)	216,932,036
Total		316,344,850	-	(99,412,814)	216,932,036
<i>Trade creditors</i>					
Invoices to be received from third party suppliers		99,800,419	-	(34,590,419)	65,210,000
Foreign trade creditors		49,635,090	-	(23,194,192)	26,440,898
Italian trade creditors		45,688,682	7,277,425	-	52,966,108

Total	195,124,192	7,277,425	(57,784,610)	144,617,006
<i>Amounts owed to subsidiaries</i>				
Amounts owed to subsidiaries	228,855,629	-	(91,216,347)	137,639,222
Total	228,855,629	-	(91,216,347)	137,639,222
<i>Taxation</i>				
VAT due	1,358,623		(2,960,000)	(1,601,317)
Withholding taxes on subordinate employment income	2,225,329	903,533	-	3,128,862
Withholding taxes on business agents income	348,682	-	(9,521)	339,102
Substitute tax	25,329	11,437		36,766
Total	3,958,024	914,970	(2,969,521)	1,903,413
<i>Social security</i>				
Amounts due to INPS (subordinate employees)	4,793,234	548,982	-	5,342,216
Amounts due to INAIL (subordinate employees/collaborators)	37,784	611,737	-	649,521
Amounts due to ENASARCO	154,551	-	(231,137)	(76,586)
Amounts due to INPS (for deferred remunerations)	2,890,898	126,707	-	3,017,605
Other social security funds	73,054	96,287	-	169,241
FONTE fund	-	380,778	-	380,778
Sundry social security contributions	266,228	-	(225,089)	41,137
Total	8,215,808	1,764,491	(456,228)	9,524,072
<i>Other creditors</i>				
Amounts owed to third parties	1,218,623		(320,180)	898,443
Bills of expenses	1,263,293	4,491	-	1,267,665
Clients advance payments	2,433,532	-	(2,433,532)	-
Personnel remunerations	-	3,615,210	-	3,615,210
Amounts owed to personnel	11,920,778	-	(1,424,251)	10,496,526
Total	16,836,168	3,619,701	(4,177,964)	16,277,844

The decrease of debt for trade and subsidiaries vendors is related to the partial return of debts due to the reduction of tensions on liquidity of the company.

The amounts owed to the banks is secured by a guarantee granted by the controlling company.

5. Investments in subsidiaries or associated companies

The company does not hold any participating interest in either subsidiaries or associated undertakings.

6. Accounts receivable and payable classified on the basis of their remaining duration and debts secured by collaterals

Neither receivables nor payables with residual validity longer than five years are posted. Nor are debts secured by collaterals upon the company's assets at the end of the FY.

6. bis Currency exchange profits and losses

Description	Initial value	value at the date of preparation of financial statements	Change in figures	Change in percentage
US Dollars cash	461	468	7	1,5
GBP Pounds cash	172	309	137	79,60
Euro Dollars cash	1.267	1.445	178	14
Total	1.900	2.241	322	16,90%

IN INR

Description	Initial value	value at the date of preparation of financial statements	Change in figures	Change in percentage
US Dollars cash	2,7605	28,024	419	1,5
GBP Pounds cash	10,299	18,502	8,203	79,60
Euro Dollars cash	75,868	87,048	10,659	14
Total	113,772	134,192	19,281	16,90%

6. ter Leaseback operations

During the FY the company did not carry out any lease back operation.

7. Accruals and prepayments, other provisions and reserves: composition

Accrued income and prepayments

The chart below shows the items posted under this entry, as they appear to be recorded in the company's financial statements:

Description	Items	Current FY value
<i>Accrued income and prepayments</i>		
	Accrued income	6.062
	Prepayments	5.171
	Total	11.233

IN INR

Description	Items	Current FY value
<i>Accrued income and prepayments</i>		
	Accrued income	362,299
	Prepayments	309,641
	Total	672,634

Other reserves

Description	item	Current FY value
<i>Other reserves</i>		
	Other reserves	3.028.908
	Total	3.028.908

IN INR

Description	item	Current FY value
<i>Other reserves</i>		
	Other reserves	181,371,736
	Total	181,371,736

This reserve was set up through the sole shareholder's payments by way of future capital increase. During the FY this

reserve decreased by €2.835.892 [IN INR 1169,813,892] further to a loss coverage for the past FY resolved by the Shareholders' meeting on April, 29, 2010.

7. bis Shareholders' equity: composition

The charts enclosed to these Supplementary Notes show the items posted under the shareholders' equity in detail, with separate indication for each item of the origin, possible use and distribution as well as of the amount used in the past FYs.

Changes in the shareholders' equity

For a complete evaluation and analysis of the changes occurred in the shareholders' equity, we refer to details in the charts enclosed to these Supplementary Notes.

8. Capitalised financial charges

All interest and financial charges were entirely posted in the Income Statement during the FY. Therefore, no capitalised financial charges are posted pursuant to art. 2427, par. 1, n. 8 of the Italian Civil Code.

9. Liabilities that do not appear in the Balance Sheet.

Liabilities for securities, either personal or collateral, granted for third parties' liabilities are posted in the memo accounts for an amount equal to the given security.

They are as below:

- €1.997 [IN INR 119,580] refers to the bank guarantee the company applied for to Banca Popolare di Milano for IT equipment (the so-called *origami*).
- €20.852 [IN INR 1,248,623] refers to guarantees provided by the bank on behalf of the company participation in hospital procurements.

10. Breakdown of the turnover

The company operates only on the Italian market. Therefore, no geographical break-down of revenues from sales and service supply is provided. Also, no partitioning into categories of activities has been recorded as the company solely distributes generic drugs.

11. Income from investments other than dividends

No proceeds from investments as under art. 2425, art. 15 of the Italian Civil Code are posted.

12. Composition of interest and other financial charges

The following chart enclosed interests and other financial charges as under art. 2425, n. 17 of the Italian Civil Code, with indication for each item of debenture loans, bank loans and other loans they are related to.

Description	Items	Amount	Debenture loans	Bank loans	Other loans
<i>Other loans</i>					
	Bank interest payable	118.216	-	118.216	-
	Interest payable on shareholders' loans	76.155	-	-	76.155
	Sundry financial charges	-	-	-	-
	Total	194.370	-	118.216	76.155

IN INR

Description	Items	Amount	Debenture loans	Bank loans	Other loans
<i>Other loans</i>					
	Bank interest payable	7,078,802	-	7,078,802	-
	Interest payable on shareholders' loans	4,560,180	-	-	4,560,180
	Sundry financial charges	-	-	-	-
	Total	11,638,922	-	7,078,802	4,560,180

13. Composition of extraordinary income and charges

During the FY under examination in these Supplementary Notes, the Company recorded extraordinary charges for an amount of €587.352[IN INR 35,382,651] . These charges regard extraordinary losses concerning costs referred to the previous FY, especially credit for returns received in 2009 that had not been set aside.

14. Deferred tax assets and deferred tax liabilities

Below is the information required by art. 2427, par. 1, point 14, letter a) and b), i.e.:

- a) a description of the temporary differences that have given rise to deferred taxes, with separate indication of the applied rate, of changes with reference to the previous FY and of the amounts entered into the Income Statement

or the Shareholders' equity. No item was left out from this calculation;

- b) the amount of the deferred tax assets posted in the Financial Statements, in relation to the losses occurring during this FY and the past FYs and the reasons for recording.

Deferred tax assets and deferred tax liabilities have been calculated by applying the following rates:

Rates	FY 2008	FY 2009	FY 2010	FY 2011	Beyond
IRES	27.50%	27.50%	27.50%	27.50%	27.50%
IRAP	3.9%	3.9%	3.9%	3.9%	3.9%

The chart below itemises the temporary differences originating deferred income taxes:

Deferred tax assets: IRES

Description	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	TOTAL
Fiscal losses	121.731	1.453.704	2.184.812	2.671.713	4.129.099	3.359.632	13.930.691
Expiry	unlimited	2011	2012	2013	2014	2015	
Deferred IRES tax assets 27.50%							3.830.940
Reversal							2.931.763
Deferred IRES tax assets 27.50%							899.177

IN INR

Description	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	TOTAL
Fiscal losses	7,289,281	87,048,143	130,827,066	159,982,814	247,251,437	201,175,569	834,173,114
Expiry	unlimited	2011	2012	2013	2014	2015	
Deferred IRES tax assets 27.50%							229,397,605
Reversal							175,554,671
Deferred IRES tax assets 27.50%							53,842,934

Deferred tax assets for an amount of €899,179 [IN INR 53,843,054] were allocated with respect to tax losses generated by the company during the past FYs.

The accounting treatment of deferred taxes referred to 2005 was made as set forth by Accounting Standard 25 of the Board of Certified Chartered Accountants and Registered Auditors as it is reasonably certain to achieve taxable income over the future FYs and that said losses can be indefinitely carried forward.

The accounting treatment of deferred tax assets was not made on the entire tax loss of the FY but only on the part that will be presumably deducted from the taxable income of future FYs, on the basis of the company budget prepared for FYs

2010-2012.

At December 31, 2010 there are also additional temporary differences related primarily to the bad stock, part of the parking provision for bad debts and credit notes to be issued. In view of the above, deferred tax assets have not been allocated to these values.

We point out that deferred tax assets posted with reference to FYs 2006-2007-2008, accounting for €2.215.917, [IN INR 132,689,640] considered overestimated compared to future taxable revenues, and therefore not recoverable, have been posted in the Income Statements under item 22 in FY 2009.

Reconciliation between actual tax liability and estimated tax liability

In compliance with the provisions of Accounting Standard n. 25 laid down by the National Association of Certified Chartered Accountants, we report here below the detail of the reconciliation between the statutory tax liability resulting from the Financial Statements and the estimated tax liability.

IRES

Description	Amount	Amount IN INR
Results before taxes	-4.748.837	(286,074,518)
<i>Increases</i>		
2008 Telephone Charges	9.441	568,735
Accomodations	11.359	684,277
Automotive	33.961	2,045,843
33.961Other non-deductible	9.959	599,940
Contingent liabilities	587.352	35,382,651
Borrowing Costs	194.143	11,695,361
Bad debts	84.018	5,061,325
Bad debts in prevoius years	14.593	879,096
Inventory write-down payment fund	516.081	31,089,217
Foreign exchange losses unrealized	31.405	1,891,867
Total	1.492.311	89,898,253
<i>Decreases</i>		
Maintenance 2007	-15	(903)
Representation expenses 2007	-10.107	(608,855)
Representation expenses 2006	-401	(24,156)
Representation expenses 2005		
Unrealized foreign exchange gains	23,353-	(1,406,807)
Goodwill	-69.230	(4,170,482)
Total	-103.106	(6,211,205)
Total changes permanent / temporary	1.389.205	83,687,048

Tax base	-3.359.632	(202,387,470)
Current IRES	0	

IRAP

Description	Amounts	Amount in INR
Difference between value and cost of production	-1.412.409	(85,084,880)
<i>Irrelevant costs for IRAP tax purposes</i>	0	
Taxable base	0	
Estimated tax liability (3,9% rate)	0	
<u>Permanent add backs</u>	15.676	944,337
<u>Temporary add backs</u>	0	
Total increases	15.676	944,337
<u>Permanent negative add backs</u>		
<u>Temporary negative add backs</u>		
Total decreases		
Total permanent and temporary adjustments	15.676	944,337
Taxable base	-1.396.733	(84,140,542)
Current IRAP tax	0	

Also we point out that:

- Deferred tax assets and liabilities were calculated on the basis of the average rates expected for the FY when temporary differences will be reversed;
- Deferred tax assets are recorded because it is reasonably certain that during the FY when the aforesaid temporary differences are reversed, the taxable income will not be lower than said losses;

We specify that no temporary differences has been excluded from the calculation of deferred tax assets/liabilities.

15. Average number of employees

The chart below shows the average number of employees, grouped in categories:

	Unità
Category	
Managers	2
Executives	11
Office workers	24
Total	37

The average number of employees on the payroll for every category was calculated on the basis of the average daily number of workers.

16. Remuneration of directors and of statutory auditors

No remuneration is provided for the Board of Directors.

The remunerations due to the Board of Statutory Auditors come to €13.665 [IN INR 823823,193].

17. Number and nominal value of the company shares

The number of company's shares is 200,000.00 and their nominal value is €1 each [IN INR 60].

No movements were made either during the FY as at December 31, 2010 or the preceding FYs. There are no share classes other than the ordinary ones. The Company's sole shareholder is the only holder of all the shares since the Company was set up. All shares were subscribed and fully paid up.

18. Dividend-bearing shares, convertible bonds/debentures, and similar securities

The company has not issued any dividend-bearing shares, convertible bonds/debentures, similar securities.

19. Issue of financial instruments

The company has not issued any financial instrument.

19. bis Shareholders' loans

The shareholders granted the company an interest-bearing loan amounting to €3,700,000 [IN INR 221,556,886] (at the Libor rate for 6 months + a spread of 0.125 %), agreed by the sole shareholder, RANBAXY NETHERLANDS B.V, of which €3,200,000 [IN INR 191,616,766] remaining from the previous FY and €500,000 [IN INR 29,940,120] issued in 2010 to face the company's financial difficulties. The loan will be refunded within 6 months of granting, but it can also be automatically renewed.

The interests accrued on this loan account for €204.906 [IN INR 12,269,820].

20. Resources allocated to a single specific operation

No resources allocated to a single specific operation were recorded by the reporting date.

21. Loans allocated to a single specific operation

No loans allocated to a single specific operation were recorded by the reporting date.

22. Finance Leasing

The company does not have any asset on lease, therefore there is no information to be provided in compliance with art. 2427, n 22 of the Italian Civil Code, as amended by the new provisions laid down by the OIC.

22-bis Operations with associated parties

Pursuant to the amended art. 2427, par. 1, point 22-bis), we point out that the company during the FY carried out operations with associated parties.

This operations have been carried out at market conditions and the relevant revenues are in line with those that could have been realised in transactions with third parties.

The chart below summarises the accounts receivables and payables, revenues and costs deriving from those operations:

Company	Description	Amount
<i>Accounts payable</i>		
Ranbaxy Laboratories Limited	Purchase of finished products	1.858.931
Ranbaxy Europe	Management fees	227.873
Ranbaxy Uk	Chargeback of regulatory costs	14.257
<i>Accounts receivable</i>		
Basics	Purchase of finished products	24.494
Ranbaxy NBV	Infragoup loan	3.700.000
Ranbaxy NBV	Interests on infragroup loan	128,752
Ranbaxy Ireland	Purchase of finished products	204.906
Ranbaxy Corporate Office	Management fees	7.114
Ranbaxy Belgium	Relocation Costs charged	28.280
Ranbaxy Ireland	Purchase finished products	212.804
Total		6.278.659

IN INR

Company	Description	Amount
<i>Accounts payable</i>		
Ranbaxy Laboratories Limited	Purchase of finished products	111,313,233
Ranbaxy Europe	Management fees	13,645,089
Ranbaxy Uk	Chargeback of regulatory costs	853,713
<i>Accounts receivable</i>		
Basics	Purchase of finished products	1,466,707
Ranbaxy NBV	Infragoup loan	221,556,886
Ranbaxy NBV	Interests on infragroup loan	7,709,700
Ranbaxy Ireland	Purchase of finished products	12,269,821
Ranbaxy Corporate Office	Management fees	425,988
Ranbaxy Belgium	Relocation Costs charged	1,693,413
Ranbaxy Ireland	Purchase finished products	12,742,755
Total		375,967,605

Company	Description	Amount
<i>Costs</i>		
Ranbaxy Belgium	Sales of finished products	14.656
Ranbaxy Europe	Costs mark up	560
Ranbaxy UK	Mark up on Regulatory costs	84.144
	Total	225.360

IN INR

Company	Description	Amount
<i>Costs</i>		
Ranbaxy Belgium	Sales of finished products	882,891
Ranbaxy Europe	Costs mark up	33,735
Ranbaxy UK	Mark up on Regulatory costs	5,068,916
	Total	13,575,904

Company	Description	Amount
<i>Revenues</i>		
Ranbaxy Laboratories Limited	Purchase of finished products from RLL	1.415.686
Ranbaxy Europe	Management Fees	294.171
Basics	Purchase of finished products	34.952
Ranbaxy Corporate Office	Management Fees (SAP License)	7.114
Ranbaxy UK	Recharge Regulatory costs	75
Ranbaxy Belgium	Recharge relocation costs	28.280
Ranbaxy Pharmacie Generiques	Recharge Regulatory costs	6.000
Terapia	Sales of finished products	32.795
Ranbaxy Ireland	Purchase of finished products	551.324
Ranbaxy Neth NBV	Interests on infragroup loan	76.155
	Total	2.446.552

IN INR

Company	Description	Amount
<i>Revenues</i>		
Ranbaxy Laboratories Limited	Purchase of finished products from RLL	85,282,289
Ranbaxy Europe	Management Fees	17,721,145
Basics	Purchase of finished products	2,105,542
Ranbaxy Corporate Office	Management Fees (SAP License)	428,554
Ranbaxy UK	Recharge Regulatory costs	4,518
Ranbaxy Belgium	Recharge relocation costs	1,703,614
Ranbaxy Pharmacie Generiques	Recharge Regulatory costs	361,445
Terapia	Sales of finished products	1,975,602
Ranbaxy Ireland	Purchase of finished products	33,212,289
Ranbaxy Neth NBV	Interests on infragroup loan	4,587,651
	Total	147,382,650

Company	Description	Amount
<i>Costs</i>		
Ranbaxy Belgium	Sales of finished products	140.656
Ranbaxy Europe	Costs recharge	560
Ranbaxy UK	Recharge Regulatory costs	84.144
Ranbaxy Ireland	Sales of finished products	83.451
Terapia	Sales of finished products	92.399
	Total	401.210

IN INR

Company	Description	Amount
<i>Costs</i>		
Ranbaxy Belgium	Sales of finished products	8,473,253
Ranbaxy Europe	Costs recharge	33,734
Ranbaxy UK	Recharge Regulatory costs	5,068,915
Ranbaxy Ireland	Sales of finished products	5,027,169
Terapia	Sales of finished products	5,566,204
	Total	24,169,277

22-ter Operations not resulting from the Balance Sheet

Pursuant to art. 2427, par. 1, point 22-ter) of the Italian Civil Code the company did not carry out operations not resulting from the Balance Sheet.

23. Other information

Income Statement

Here below are the main data of the income statement compared with those of the previous FY.

Production value

The value of production amounts as a whole to € 13.320.958 [IN INR 802,467,349] . Here are the composition and changes in figures with respect to the previous FY.

Description	31/12/2009	Variance	31/12/2010
Sales	9.529.735	3.024.285	12.554.019
Changes in stocks of finished goods	2.446	2.446-	-
Other operating income	1.501.237	734.298-	766.939
Total	11.033.418	2.287.540	13.320.958

IN INR

Description	31/12/2009	Variance	31/12/2010
Sales	574,080,422	182,185,843	756,266,205
Changes in stocks of finished goods	147,350	(147350)	-
Other operating income	90,435,964	(44,234,819)	46,201,145
Total	664,663,735	137,803,614	802,467,350

The item “Other operating income” refers to the sale of concessions for the sale of Ranbaxy to third parties and re-invoicing of regulatory costs to companies related to the Group.

Production costs

The overall production costs amount to € 16.761.357[IN INR 1,009,720,301]; here below are the composition and changes in figures with respect to the previous FY.

Description	31/12/2009	Variance	31/12/2010
Raw materials, subsidiary materials, consumables and goods for resale	6.266.209	-555.432	5.710.777
Services	4,847,032	1.260.560	6.109.592
Hire and leases	416.417	2.951	419.367
Personnel costs	2.393.293	50.524	2.443.817
Depreciation and other amounts written off tangible and intangible fixed assets;	1.677.860	724.276	2.402.136
Other operating charges	67,408	127.149	194.557
Total	15,668,219	1.612.026	17.280.245

IN INR

Description	31/12/2009	Variance	31/12/2010
Raw materials, subsidiary materials, consumables and goods for resale	377,482,469	(33,459,759)	344,022,710
Services	291,989,880	75,937,349	368,047,710
Hire and leases	2,508,494	177,772	25,263
Personnel costs	144,174,277	3,043,615	147,217,892
Depreciation and other amounts written off tangible and intangible fixed assets;	101,075,904	43,631,084	144,706,988
Other operating charges	4,060,723	7,659,578	11,720,301
Total	943,868,614	97,110,000	1040,978,614

Final remarks

Dear Shareholder,

In the light of what expounded in the previous points, the Board of Directors proposes you to wholly cover the loss for the FY equal to €4.748.836, 72 through the reversal of the unrestricted reserve for future capital increase as at December 31, 2010, for € 3.028.908 and for the remaining part, equal to € 1.519.929, through the partial reversal of the capital contribution amounting to €3,000,000 made before the meeting Board of Directors. After covering the losses, the share capital is entirely replenished. Therefore, the situation provided by art. 2447 of the Italian Civil Code as at December 31, 2010 is out-of-date.

We confirm that these Financial Statements, made up of the Balance Sheet, the Income Statement and the Notes to the accounts provide a true and fair view of the financial situation of the company and match the accounting records and we invite you to approve these draft Financial Statements as at 31/12/2010, so as drafted by the Board of Directors.

Ranbaxy Italia S.p.a.
For the Board of Directors
Managing Director
(Mr. Neeraj Sharma)

Enclosures: Assets changes

Intangible assets changes

Description	Items	Historical cost	Initial value	Under the same entry	Purchase / Transfer.	Revaluation / devaluation.	Depreciation.	Final value
<i>Start-up costs</i>								
	Corporate expenses	8,467	-		-	-	-	-
	Provision for depreciation of corporate expenses	-	8,467-		-	-	-	8,467-
<i>R&D and advertising costs</i>								
	ADV costs	49,089	33,041		-	-	9,818-	23,223
	Provision for depreciation of advertising costs	-	16,049-		-	-	9,818-	25,866-
<i>Patents and copyrights</i>								
	Capitalised own software	71,177	8,508	-	-	-	3,145-	5,359
	Provision for depreciation of capitalised software	-	56,037--		-	-	6,633--	62,670-
<i>Concessions, licences, trademarks and similar rights and assets</i>								
	Marketing Authorisation development	-	62,670-	-	-		3,145-	65,818-

Description	Items	Historical cost	Initial value	Under the same entry	Purchase / Transfer.	Revaluation / devaluation.	Depreciation.	Final value
	Marketing Authorisation Dev	432.530	-	429.986-	172.062	-	-	174.606
	Marketing Authorisation acquisition	6.876.012	2.966.711	429.986	177.000	751.435-	1.383.947-	1.438.315
	Concessions and licences	2.229	2.074		370	-	138-	2.306
	Provision for depreciation of Mark Auth acquisition	-	3.909.301-	-	-	3.394.974	1.383.947-	1.898.274-
	Provision for depreciation of concessions and licences	-	155-		-	-	138-	293-
<i>Goodwill</i>								
	Goodwill	3,560,410	2.057.126		-	-	128.597-	1.928.556
	Provision for depreciation of goodwill	-	1.503.284-		-	-	128.597-	1.631.881-
<i>Other intangible assets</i>								
	Depreciated maintenance expenses	16,915	5.301		-	-	2.293-	5,301
	Provision for depreciation of maintenance expenses for third parties' goods	-	11.614-		-	-	2.293-	13.908-

Intangible assets changes

IN INR

Description	Items	Historical cost	Initial value	Under the same entry	Purchase / Transfer.	Revaluation / devaluation.	Depreciation.	Final value
<i>Start-up costs</i>								
	Corporate expenses	507,006	-		-	-	-	-
	Provision for depreciation of corporate expenses	-	(507,006)		-	-	-	(507,006)
<i>R&D and advertising costs</i>								
	ADV costs	2,939,461	1,978,503		-	-	(587,904)	1,390,599
	Provision for depreciation of advertising costs	-	(961,018)		-	-	(587,904)	1,548,862
<i>Patents and copyrights</i>								
	Capitalised own software	4,262,096	509,461	-	-	-	(188,323)	320,898
	Provision for depreciation of capitalised software	-	(3,355,509)		-	-	(397,186)	(375,695)
<i>Concessions, licences, trademarks and similar rights and assets</i>								
	Marketing Authorisation	-	(3,752,695)	-	-		(188,323)	(3,941,198)

Description	Items	Historical cost	Initial value	Under the same entry	Purchase / Transfer.	Revaluation / devaluation.	Depreciation.	Final value
	development							
	Marketing Authorisation Dev	25,900,000	-	(25,747,665)	10,303,114	-	-	10,455,449
	Marketing Authorisation acquisition	411,737,246	177,647,365	25,747,665	10,598,802	(44,996,108)	(82871,078)	86,126,647
	Concessions and licences	133,473	124,192		22,156	-	(8,263)	138,0,83
	Provision for depreciation of Mark Auth acquisition	-	(234,089,880)	-	-	203,291,856	(82,871,078)	113,669,102
	Provision for depreciation of concessions and licences	-	(9,281)		-	-	(8,263)	(17,545)
<i>Goodwill</i>								
	Goodwill	213,182,036	123,181,197		-	-	(7,700,419)	115,482,395
	Provision for depreciation of goodwill	-	(90,017,006)		-	-	(7,700,419)	-97,717,427
<i>Other intangible assets</i>								
	Depreciated maintenance expenses	1,012,874	317,425		-	-	(137,305)	-317,425
	Provision for depreciation of maintenance expenses for third parties' goods	-	(695,449)		-	-	137,305	-832,815

Tangible assets changes

Description	Items	Historical cost	Initial value	Under the same entry	Purchase / Transfer.	Revaluation / devaluation.	Depreciation.	Final value
<i>Plant and machinery</i>								
	Other plants and machinery	3.744	2.673		-	-	281-	2.393
	Provision for depreciation of plants and machinery	-	1.071-	-	-	-	281-	1.352-
<i>Other tangible assets</i>								
	Furniture and fitting	55,116	33.070		-	-	6.614-	26.457
	Electronic office machinery	60.235	27.516		16.118	-	11.108-	32.526
	Mobile telephone services	8.469	5.378-		-	-	1.693-	3.685
	Provision for depreciation of furniture and fitting	-	22.046-		-	-	6.614-	28.660-
	Provision for depreciation of electronic office machinery	-	32.720-		-	-	11.108-	43.828-
	Provision for depreciation of mobile telephone services	-	3.091-		-	-	1.693-	4.784-

Tangible assets changes**IN INR**

Description	Items	Historical cost	Initial value	Under the same entry	Purchase / Transfer.	Revaluation / devaluation.	Depreciation.	Final value
<i>Plant and machinery</i>								
	Other plants and machinery	224,192	160,060		-	-	(16,826)	143,293
	Provision for depreciation of plants and machinery	-	(64,131)	-	-	-	(16,826)	(80,958)
<i>Other tangible assets</i>								
	Furniture and fitting	3,300,359	1,980,240		-	-	(396,048)	1,584,251
	Electronic office machinery	3,606,886	1,647,665		965,150	-	(665,150)	1,947,665
	Mobile telephone services	507,126	(322,035)		-	-	(101,377)	220,659
	Provision for depreciation of furniture and fitting	-	(1,320,120)		-	-	(396,048)	(1,716,168)
	Provision for depreciation of electronic office machinery	-	(1,959,281)		-	-	(665,150)	(2,624,443)
	Provision for depreciation of mobile telephone services	-	(185,090)		-	-	(101,377)	(286,467)

Enclosure: Changes in the Shareholders' equity

Description	Share capital	Legal reserve	Retained earnings	Other reserves	Operating result	Total
At the beginning of the current FY	200,000					
Balance as at 31/12/05	200,000			300,001	-84,350	415,651
Allocation of the result of FY 2005:				-84,350	84,350	0
- Allocation of dividends						
- Other allocations						
Other changes				8,600,000		8,600,000
Operating result of the current FY					-1,345,440	-1,345,440
Balance as at 31/12/06	200,000			8,815,651	-1,345,440	7,670,211
Allocation of the result of FY 2006:				-1,345,440	1,345,440	0
- Allocation of dividends						
- Other allocations						

Description	Share capital	Legal reserve	Retained earnings	Other reserves	Operating result	Total
Other changes				500,000		500,000
Other allocations					-2.325.939	-2.325.939
Balance as at 31/12/07	200,000			7,970,211	-2,325,939	5,844,272
Allocation of the result of FY 2007:				-2,325,939	2,325,939	0
- Allocation of dividends						
- Other allocations						
Other changes				3,000,000		3,000,000
Operating result of the current FY					-2,779,467	-2,779,467
Balance as at 31/12/08	200,000			8,644,271	-2,779,467	6,064,804
Allocation of the result of FY 2008:				-2,779,467	2,779,467	0
- Allocation of dividends						
- Other allocations						
Other changes				-4		
Operating result of the current FY					-6,835,892	-6,835,892
Balance as at 31/12/09	200,000			5,864,804	-6,835,892	-771,092

Description	Share capital	Legal reserve	Retained earnings	Other reserves	Operating result	Total
Allocation of the result of FY 2009:				-6.835.892	6.835.892	0
- Allocation of dividends						
- Other allocations						
Other changes				4.000.000		4.000.000
Operating result of the current FY					-4.748.837	-4.748.837
Balance as at 31/12/10	200,000			3.028.908	-4.748.837	-1.519.929

Description	Amount(*)	Possibility of use (**)	Available amount	Amount used in the previous three FY for losses coverage	Amount used in the previous three FY for other reasons
Share capital	200,000		--	--	--
Share-premium reserve	--	--	--	--	--
Revaluation reserves	--	--	--	--	--
Legal reserve	--	--	--	--	--

Description	Amount(*)	Possibility of use (**)	Available amount	Amount used in the previous three FY for losses coverage	Amount used in the previous three FY for other reasons
Statutory reserves	--	--	--	--	--
Reserve for future loss coverage	--	--	--	--	--
Shareholders c/share capital increase (1)	3.028.908	A-B-C	-	13.371.088	--
Non-distributable share(2)	--	--	-	--	--

Enclosure: Changes in the Shareholders' equity

IN INR

Description	Share capital	Legal reserve	Retained earnings	Other reserves	Operating result	Total
At the beginning of the current FY	11,976,048					
Balance as at 31/12/05	11,976,048			17,964,132	(5,050,898)	24,889,281
Allocation of the result of FY 2005:				(5,050,898)	5,050,898	0
- Allocation of dividends						
- Other allocations						
Other changes				514,970,060		514,970,060

Description	Share capital	Legal reserve	Retained earnings	Other reserves	Operating result	Total
Operating result of the current FY					(80,565,270)	(80,565,270)
Balance as at 31/12/06	11,976,048			527,883,329	(80,565,269)	459,294,071
Allocation of the result of FY 2006:				(80,565,269)	80,565,269	0
- Allocation of dividends						
- Other allocations						
Other changes				29,940,120		29,940,120
Other allocations					(139,277,784)	(139,277,784)
Balance as at 31/12/07	11,976,048			477,258,144	(139,277,784)	349,956,407
Allocation of the result of FY 2007:				(139,277,784)	139,277,784	0
- Allocation of dividends						
- Other allocations						
Other changes				179,640,719		179,640,719
Operating result of the current FY					(166,435,150)	(166,435,150)
Balance as at 31/12/08	11,976,048			517,621,018	(166,435,150)	363,161,916

Description	Share capital	Legal reserve	Retained earnings	Other reserves	Operating result	Total
Allocation of the result of FY 2008:				(166,435,150)	166,435,150	0
- Allocation of dividends						
- Other allocations						
Other changes				(240)		
Operating result of the current FY					(409,334,850)	(409,334,850)
Balance as at 31/12/09	11,976,048			351,185,868	(409,334,850)	(46,173,174)
Allocation of the result of FY 2009:				(409,334,850)	409,334,850	0
- Allocation of dividends						
- Other allocations						
Other changes				239,520,958		239,520,858
Operating result of the current FY					(284,361,497)	(284,361,497)
Balance as at 31/12/10	11,976,048			181,371,736	(284,361,497)	(91,013,713)

Description	Amount(*)	Possibility of use (**)	Available amount	Amount used in the previous three FY for losses coverage	Amount used in the previous three FY for other reasons
Share capital	11,976,048		--	--	--
Share-premium reserve	--	--	--	--	--
Revaluation reserves	--	--	--	--	--
Legal reserve	--	--	--	--	--
Statutory reserves	--	--	--	--	--
Reserve for future loss coverage	--	--	--	--	--
Shareholders c/share capital increase (1)	181,371,736	A-B-C	-	800,663,952	--
Non-distributable share(2)	--	--	-	--	--

(*) Key: A – for share capital increase purposes; B – for losses coverage purposes; C – for dividend distribution purposes.

(1) The other reserves are referred to payments made by the shareholder on future share capital increases. These include the part resulting from the rounding to Euro unit.

(2) Unavailable reserve share according to art. 2426, par. 5 of the Italian Civil Code.

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

- 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