

RANBAXY LABORATORIES INC.

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

WORKING RESULTS

	USD in Thousand	
Ranbaxy Laboratories, Inc.	Year ended 12/31/10	Year ended 12/31/09
Net Sales	29,077	45,028
Profit/(Loss) before Interest, Depreciation, Amortization, and Impairment	(17,175)	(1,450)
Interest expense/(income)	(2)	-
Exchange Loss/(Gain)- (Net) on Loans	-	-
Depreciation, Amortization and Impairment	6,411	3,546
Profit/(Loss) before Tax	(23,584)	(4,996)
Income Tax (benefit)/expense	(8,653)	(1,838)
Profit/(Loss) after Tax	(14,930)	(3,158)
Balance as per last balance sheet	(124)	(3,201)
Balance available for appropriation	(23,402)	(124)

	IN INR in Thousand	
	Year ended 12/31/10	Year ended 12/31/09
Net Sales	1,330,741	2,060,756
Profit/(Loss) before Interest, Depreciation, Amortization, and Impairment	(786,033)	(66,361)
Interest expense/(income)	(92)	-
Exchange Loss/(Gain)- (Net) on Loans	-	-
Depreciation, Amortization and Impairment	293,406	162,287
Profit/(Loss) before Tax	(1,079,348)	(228,647)
Income Tax (benefit)/expense	(396,014)	(84,118)
Profit/(Loss) after Tax	(683,288)	(144,529)
Balance as per last balance sheet	(5,544)	(143,117)
Balance available for appropriation	(1,071,018)	(5,675)

Operations

The Company recorded sales of US \$29 Million [IN INR 1,327 million] which was a 35% decrease vs. prior year. The decrease in sales was due to the US FDA Import Alert in respect of some of the products of the Company.

The Company spent approximately \$16 million [IN INR 732 Million] in Research and Development to continue to expand its future products pipeline.

Dividend

No dividends have been declared for the year.

Changes in Capital Structure

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

Directors

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

Acknowledgement

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

Sd/-

(Venkat Krishnan)

Director

Dated : 21 April 2011

RANBAXY LABORATORIES INC.

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



KPMG (Registered)
Building No.10, 8th Floor, Tower-B
DLF Cyber City, Phase - II
Gurgaon - 122 002 (India)

Telephone + 91 124 254 9191
Fax + 91 124 254 9101
Internet www.in.kpmg.com

To,

Ranbaxy Laboratories Limited

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

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

KPMG

Place: Gurgaon

Date: 21 April 2011

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

	As at December 31,2010	As at December 31, 2009
ASSETS		
Current assets :		
Accounts receivables	2,041,126	1,840,813
Inventories	3,736,859	1,523,273
Deferred tax asset	436,522	1,434,809
Dues from related parties	185,110,838	141,867,414
Tax receivable from Parent Company	9,803,023	6,907,946
Prepaid and other current assets	1,262,064	1,437,741
Total current assets	\$202,390,432	\$155,011,996
Property, plant and equipment, net	35,691	56,343
Intangible assets, net (Note 3)	21,432,429	27,821,748
Deferred tax asset	1,957,214	757,943
Other Assets	10,049	-
Total assets	225,825,815	183,648,030

Amount INR

	As at December 31,2010	As at December 31, 2009
ASSETS		
Current assets :		
Accounts receivables	91,258,743	82,302,749
Inventories	167,074,966	68,105,536
Deferred tax asset	19,516,899	64,150,310
Dues from related parties	8,276,305,567	6,342,892,080
Tax receivable from Parent Company	438,293,158	308,854,266
Prepaid and other current assets	56,426,881	64,281,400
Total current assets	9,048,876,215	6,930,586,341
Property, plant and equipment, net	1,595,745	2,519,096
Intangible assets, net (Note 3)	958,243,901	1,243,910,353
Deferred tax asset	87,507,038	33,887,632
Other Assets	449,291	-
Total assets	10,096,672,189	8,210,903,421

LIABILITIES AND STOCKHOLDERS' EQUITY**Current liabilities:**

Accounts payable	\$3,571,214	\$ 5,585,699
Dues to related parties	211,420,327	143,993,907
Accrued expenses and other current liabilities	4,231,078	4,192,077
Total current liabilities	219,222,619	153,771,683

Total liabilities	\$219,222,619	\$153,771,683
--------------------------	----------------------	----------------------

Stockholders' equity

100 shares authorized: 10 issued and outstanding as of December 31, 2010 and 2009	\$10	\$10
Additional paid in capital	30,004,916	30,000,000
Accumulated deficit	(23,401,730)	(123,663)
Total stockholders' equity	6,603,196	29,876,347
Total liabilities and stockholders' equity	225,825,815	183,648,030

See accompanying notes to the financial statements.

Amount INR**LIABILITIES AND STOCKHOLDERS' EQUITY****Current liabilities:**

Accounts payable	159,668,978	249,736,602
Dues to related parties	9,452,602,820	6,437,967,582
Accrued expenses and other current liabilities	189,171,497	187,427,763
Total current liabilities	9,801,443,295	6,875,131,947

Total liabilities	9,801,443,295	6,875,131,947
--------------------------	----------------------	----------------------

Stockholders' equity

100 shares authorized: 10 issued and outstanding as of December 31, 2010 and 2009	447	447
Additional paid in capital	1,341,519,794	1,341,300,000
Accumulated deficit	(1,046,291,348)	(5,528,973)
Total stockholders' equity	295,228,893	1,335,771,474
Total liabilities and stockholders' equity	10,096,672,189	8,210,903,421

RANBAXY LABORATORIES INC
STATEMENT OF OPERATIONS
(All amount in United States dollars, unless otherwise stated)

	For the Year ended, Decemeber 31,2010	For the Year ended, December 31, 2009
Revenues	\$29,076,511	\$45,027,614
Cost of revenues (exclusive of depreciation and amortisation)	7,240,044	12,430,752
Selling, general and administration expenses (exclusive of depreciation and amortisation)	22,620,477	27,832,919
Research and development (exclusive of depreciation and amortisation)	16,390,550	6,213,627
Depreciation, impairment and amortization (Note 3)	6,411,117	3,546,275
Loss from operations	(23,585,677)	(4,995,959)
Financial expense, net	2,069	-
Loss before income taxes	(23,583,608)	(4,995,959)
Income tax benefit	(8,653,230)	(1,838,411)
Net loss	(14,930,378)	(3,157,548)

See accompanying notes to the financial statements.

Amount INR

	For the Year ended, Decemeber 31,2010	For the Year ended, December 31, 2009
Revenues	1,330,718,510	2,060,738,285
Cost of revenues (exclusive of depreciation and amortisation)	331,348,578	568,907,039
Selling, general and administration expenses (exclusive of depreciation and amortisation)	1,035,251,012	1,273,804,154
Research and development (exclusive of depreciation and amortisation)	750,131,550	284,373,475
Depreciation, impairment and amortization (Note 3)	293,411,822	162,299,176
Loss from operations	(1,079,424,452)	(228,645,559)
Financial expense, net	94,690	-
Loss before income taxes	(1,079,329,762)	(228,645,559)
Income tax benefit	(396,024,590)	(84,136,902)
Net loss	(683,305,173)	(144,508,658)

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

1) ORGANIZATION AND NATURE OF OPERATIONS

Incorporation and history

Ranbaxy Laboratories Inc. ("the Company or RLI") was incorporated on January 1, 2005 in the State of Florida. It is a wholly-owned subsidiary Ranbaxy Inc., which is a wholly-owned subsidiary of Ranbaxy (Holdings) U.K. Limited ("RHUK"), which is a wholly-owned subsidiary of Ranbaxy Holdings (Netherlands) BV ("RNBV"), which in turn is a subsidiary of Ranbaxy Laboratories Limited (an Indian company) ("RLL"). Ranbaxy Pharmaceuticals, Inc. (the "Company") is a distributor of prescription pharmaceuticals. The Company obtains its products from its affiliates, RLL and third parties. The Company conducts its operations from a distribution facility in Jacksonville, Florida and sells to customers throughout the United States. The Company distributes its products pursuant to rights obtained through Abbreviated New Drug Application ("ANDA") approvals in the United States, licensing rights obtained from RLL and third parties. The Company's products are subject to the regulatory approval of the United States Food and Drug Administration.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

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

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

(b) Use of estimates

The preparation of financial statements in conformity with US GAAP requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results of operations during the reporting period. The Company's most significant estimates relate to the determination of sales return and allowances for accounts receivables and accrued liabilities, valuation of inventory balances, intangible assets and other long lived assets for impairment. The management believes that the estimates used in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates. Appropriate changes in estimates are made as management become aware of changes in circumstances surrounding the estimates. Any change in estimates are recognized prospectively.

(c) Functional currency

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

(d) Revenue recognition

Revenue is generally realized or realizable and earned when persuasive evidence of an arrangement exists, delivery has occurred, the seller's price to the buyer is fixed or determinable, and collectability is reasonably assured. The Company records revenue from product sales when title and risk of ownership have been transferred to the customer, which is typically upon delivery to the customer.

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

Allowances for sales returns are estimated and provided for in the year of sales. Such allowances are made based on the historical trends. The Company has the ability to make a reasonable estimate of the amount of future returns due to large volumes of homogeneous transactions and historical experience with similar types of sales of products. In respect of new products launched or expected to be launched, the sales returns are not expected to be different from the existing products as such products relate to categories where established products exist and are sold in the market. Further, the Company evaluates the sales returns of all the products at the end of each reporting period and necessary adjustments, if any, are made.

A chargeback represents an amount payable in the future to a wholesaler for the difference between the invoice price paid to the Company by a wholesaler for a particular product and the negotiated contract price that the wholesaler's customer pays for the product. The Company determines its estimates of the chargeback primarily based on historical experience regarding chargebacks, estimate of the expected wholesaler inventories and current contract prices.

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

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

(e) Inventories

Inventories consist of finished goods which is stated at the lower of cost or market. The cost of purchased goods is determined using their “moving weighted average” cost.

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

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

(f) Shipping and handling expense

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

(g) Research and development

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

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The Company depreciates property, plant and equipment over the estimated useful life using the straight-line method. Upon retirement or disposal of assets, the cost of the asset and the related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to operations.

The estimated useful lives of assets are as follows:

Computers equipment	4 years
Furniture and fixtures	8 years

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

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

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

(i) Intangibles

Intangible assets are amortized over their respective individual estimated useful lives in proportion to the economic benefits consumed in each period. The estimated useful lives of the intangible assets are as follows:

Customer contracts and relationship intangibles	4 to 15 years
---	---------------

The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition and other economic factors (such as the stability of the industry, and known technological advances) and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

(j) *Impairment of long-lived assets*

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

(k) *Income taxes*

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

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

Uncertain tax position are recognized and measured using two step approach. The first step is to evaluate the tax position for recognition by determining, based on the technical merits, that the position will be sustained upon examination. The second step is to measure the tax benefit as the largest amount of the tax benefit that is greater than 50% likely of being realized upon settlement. The interest and penalties related to unrecognized tax benefits is included income taxes expense/ benefits for the year.

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

(l) Business combinations

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

3) INTANGIBLE ASSETS

Information regarding the Company's intangible assets acquired either individually, with a group of other assets or in a business combination is as follows:

	As at December 31, 2010		
	Gross carrying amount	Accumulated amortization	Net
Trademarks	\$13,834,232	\$7,768,417	6,065,815
Product formulation	17,161,256	4,099,634	13,061,622
Supply Agreement	3,028,457	723,464	2,304,993
Product license and technology	5,009,665	5,009,665	-
Total intangible assets	\$39,033,610	\$ 17,601,180	\$21,432,430

	As at December 31, 2009		
	Gross carrying amount	Accumulated amortization	Net
Trademarks	\$13,834,232	\$7,022,075	6,812,157
Product formulation	17,161,256	2,955,550	14,205,706
Supply Agreement	3,028,457	521,567	2,506,890
Product license and technology	5,009,665	712,669	4,296,996
	\$39,033,610	\$ 11,211,861	\$27,821,749

Amount INR

	As at December 31, 2010		
	Gross carrying amount	Accumulated amortization	Net
Trademarks	618,528,513	347,325,924	271,202,589
Product formulation	767,279,756	183,294,636	583,985,120
Supply Agreement	135,402,312	32,346,075	103,056,237
Product license and technology	223,982,122	223,982,122	-
Total intangible assets	1,745,192,703	786,948,758	958,243,945

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

	Gross carrying amount	Accumulated amortization	Net
Trademarks	618,528,513	313,3956,973	304,571,539
Product formulation	767,279,756	132,142,641	635,137,115
Supply Agreement	135,402,312	23,319,261	112,083,052
Product license and technology	223,982,122	31,863,431	192,118,691
	<u>1,745,192,703</u>	<u>501,282,305</u>	<u>1,243,910,398</u>

Amortization expense for intangibles is \$2,342,806 [INR 107,221,094] and \$2,601,760 [INR 119,072,408] for the year ended December 31, 2010 and 2009. During 2010 and 2009, the Company recorded impairment charges totaling \$4,046,513 [INR 185,193,119] and \$921,159 [INR 42,157,855].

The estimated amortization schedule for the intangible assets is set out below:

Year ending December 31, 2010

2011	\$2,092,323
2012	2,092,323
2013	2,092,323
2014	2,092,323
2015	1,835,413
2016 and thereafter	11,227,725
	<u><u>\$21,432,430</u></u>

Amount INR

2011	93,547,761
2012	93,547,761
2013	93,547,761
2014	93,547,761
2015	82,061,315
2016 and thereafter	501,991,585
	<u><u>958,243,945</u></u>

As of December 31, 2009, the carrying value of Proctosol (an acquisition in April 2000 from Signature Pharmaceuticals) was \$2,719,537 [INR 121,590,499] and the total expected future cash flows based on management's assessment was \$1,798,378 [INR 80,405,480]. The projected decline in future net cash flows is because of an expected reduction in sales revenue due to a price increase by Taro Pharmaceutical and consequent loss of accounts. The resultant decline in sales created diminished forecasted margins for this product and, as such, the Company has made a decision to write down the asset to its total expected future cash flows. As a result, an

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

impairment charge of \$921,159 [INR 42,157,855] is recorded in the year ended December 31, 2009. No impairment charge was recorded for Proctosol in 2010.

In July 2007, the Company acquired the right to assume the benefits and responsibilities of a supply agreement for the Isoptin and Verapamil brand of products from FSC. In 2008, the Company commenced the sale of the generic version, Verapamil, which resulted in a decrease in the quantity of branded sales and an increase in the sale of the lower priced generic versions. In March 2010, the Company's "dissolution" testing to confirm that the quality of the product complies with the approved specifications in the ANDA (Abbreviated New Drug Application) filed with the FDA was not successful as two batches failed the test at the expiry date. The failure implies a reduction in the shelf life/validity period of the product and in August 2010, Management decided to discontinue manufacture and sale of the FSC basket of products. In September 2010, Management decided to consider the Verapamil and Isoptin brand of products as fully impaired and to write-off the net book value of \$4,046,513 [INR 185,193,119].

4) GOING CONCERN

The Company has accumulated losses in the current year as well as previous year resulting in substantial reduction of its net worth. The Company has continuing financial and operational support from its parent Company ("Ranbaxy Inc."). Hence, it is considered appropriate to prepare these financial statements on the going concern basis.

5) CONTINGENCIES

- a) On September 16, 2008, Ranbaxy Laboratories Limited ('RLL'), the ultimate holding company received 2 warning letters and an Import Alert from the US FDA, covering 30 generic drugs being manufactured at its Paonta Sahib and Dewas manufacturing facilities in India. The issue raised in the warning letters relate to "Current Good Manufacturing Practice" being followed at the said plants and does not in any way raises questions on product's quality, safety or effectiveness.
- b) In the year 2008, the Department of Justice (DOJ), USA has filed certain charges against RLL citing possible issues with the data submitted by RLL, in support of product filing. RLL continuous to work diligently with the concerned authorities towards resolution of the issue.
- c) On February 25, 2009, RLL received a letter from the US FDA indicating that the Agency had invoked its Application Integrity Policy ("AIP") against the Paonta Sahib facility (the "facility"). The management of RLL believes that there was no falsification of data generated at the facility and also believes that there is no indication of a pattern and practice of submitting untrue statements of material fact and there was no other improper conduct.

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

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

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

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

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