

Ranbaxy USA

Your Directors have the pleasure in presenting the Audited Financial Statements for the year ended March 31, 2014.

WORKING RESULTS Ranbaxy USA	USD in Thousand	
	Period ended 03/31/14	Period ended 12/30/12
Net Sales	\$2,530	\$6,238
Profit/(Loss) before Interest, Depreciation, Amortization, and Impairment	(3,689)	258
Interest	-	-
Exchange Loss/(Gain)- (Net) on Loans	-	-
Depreciation, Amortization and Impairment	2	6
Profit/(Loss) before Tax	(3,691)	252
Income Tax (benefit)/expense	(531)	56
Profit/(Loss) after Tax	(3,160)	196
Balance as per last balance sheet	1,925	1,729
ESOP, net of tax	-	-
Balance after ESOP adjustment	1,925	1,729
Excess tax benefit upon exercise of stock options	-	-
Balance available for appropriation	(1,235)	1,925

WORKING RESULTS Ranbaxy USA	INR in Thousand	
	Period ended 03/31/14	Period ended 12/30/12
Net Sales	149,740	333,583
Profit/(Loss) before Interest, Depreciation, Amortization, and Impairment	(218,284)	13,797
Interest	-	-
Exchange Loss/(Gain)- (Net) on Loans	-	-
Depreciation, Amortization and Impairment	118	321
Profit/(Loss) before Tax	(218,402)	13,476
Income Tax (benefit)/expense	(31,420)	2,995
Profit/(Loss) after Tax	(186,982)	10,481
Balance as per last balance sheet	113,905	92,460
ESOP, net of tax	-	-
Balance after ESOP adjustment	113,905	92,460
Excess tax benefit upon exercise of stock options	-	-
Balance available for appropriation	(73,077)	102,941

Operations

Ranbaxy USA is a service company and its operations support the sales efforts of its affiliates Ranbaxy Pharmaceuticals, Inc., Ohm Laboratories, Inc. and Ranbaxy Laboratories, Inc. The Company derives its income through service fees charged to these entities. The Company continues to perform its functions diligently from its facilities in New Jersey and Florida.

Reclassifications

Certain reclassifications have been made in the Directors' financial statements of prior period to conform to the classifications used in the current year. These changes had no impact on previously reported net income or stockholders' equity.

Dividend

No dividends have been declared for the quarter.

Changes in Capital Structure

There were no changes to the Company's capital structure during the fifteen (15) months ended March 31, 2014.

Directors

The Board constitutes of: Irving Kagan.

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/-

Director

Dated: 19 May 2014

RANBAXY USA, INC.

Financial Statements

March 31, 2014 and December 31, 2012

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

To

The Board of Directors
Ranbaxy Laboratories Limited

At your request, we have audited the accompanying special purpose financial statements ('referred to as financial statements') of Ranbaxy USA Inc. ('the Company') which comprises the Balance Sheet as at March 31, 2014 and December 31, 2012, the related Statement of Operations for the period then ended and notes, comprising a summary of significant accounting policies and certain other explanatory information to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the 'basis of accounting' as describes in note 1(b) of these and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements 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 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 our 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, we consider internal controls relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above are prepared, in all material respects, in accordance with 'basis of accounting' as described in note 1(b) of these financial statements.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 4 of the financial statements which explains that, the Company is no longer permitted to transact any business in the United States of America and will be liquidated once the notice of debarment is received from the relevant regulatory authorities. Accordingly, the financial statements of the Company have been prepared on the assumption that the fundamental accounting assumption of going concern is no longer applicable. Consequently, all assets and liabilities have been reflected at the values at which they are expected to be realized/ discharged.

Basis of Accounting and restriction on use and distribution

Without modifying our opinion, we draw attention to note 1(b) to the financial statements which describes the 'basis of accounting' and that these financial statements are prepared for the limited purpose of the information and use of the Board of Directors of Ranbaxy Laboratories Limited ('the intermediate holding company') within India. Accordingly, the Company has not presented all of the disclosures including Statement of Cash Flows, and Statement of Changes in Stockholders' Equity and Comprehensive Income/Loss that are required to present fairly the financial statements in conformity with U.S. generally accepted accounting principles. As a result, these financial statements will not be suitable for another purpose. Our report is intended solely for Board of Directors of Ranbaxy Laboratories Limited and should not be used by or distributed to any other party.

For B S R & Co. LLP
Chartered Accountants
Registration No.:101248W

Place: Gurgaon, India
Date: 19 May 2014

Pravin Tulsyan
Partner
Membership No.: 108044

RANBAXY USA, INC.
Balance Sheet

March 31, 2014 and December 31, 2012
(All amount in United States dollars, unless otherwise stated)

	March 31, 2014	December 31, 2012
ASSETS		
Current assets :		
Other current assets	-	83,099
Deferred tax assets	441,779	347,191
Due from related parties (Refer to note 5)	171,195,768	-
Total current assets	171,637,547	430,290
Property, plant and equipment, net	-	10,042
Due from related parties	-	36,725,385
Total assets	\$ 171,637,547	\$ 37,165,717
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	-	17,883
Accrued expenses and other current liabilities	-	743,913
Due to related parties (Refer to note 5 and note 7)	14,926,562	-
Total current liabilities	14,926,562	761,796
Due to related parties (Refer to note 7)	-	33,346,274
Other liabilities	-	124,370
Deferred tax liabilities	-	2,167
Total liabilities	14,926,562	34,234,607
Stockholders' equity		
Common stock, \$1 par value , Authorized 100 shares; issued and outstanding 100 shares as at March 31, 2014 and December 31, 2012	100	100
Additional paid in capital (Refer to note 2 and note 6)	157,946,228	1,006,169
Retained earnings	(1,235,343)	1,924,841
Total stockholders' equity	156,710,985	2,931,110
Total liabilities and stockholders' equity	\$ 171,637,547	\$ 37,165,717

See accompanying notes to the financial statements

RANBAXY USA, INC.
Balance Sheet

March 31, 2014 and December 31, 2012
(All amount in Indian Rupees, unless otherwise stated)

	March 31, 2014	December 31, 2012
ASSETS		
Current assets :		
Income tax receivable	-	-
Other current assets	-	4,540,924
Deferred tax assets	26,453,832	18,972,186
Due from related parties	10,251,243,593	-
Total current assets	10,277,697,426	23,513,110
Property, plant and equipment, net	-	548,738
Due from related parties	-	2,006,851,614
Total assets	10,277,697,426	2,030,913,463
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	-	977,223
Accrued expenses and other current liabilities	-	40,650,977
Due to related parties	893,806,108	-
Total current liabilities	893,806,108	41,628,200
Due to related parties	-	1,822,200,775
Other liabilities	-	6,796,168
Deferred tax liabilities	-	118,415
Total liabilities	893,806,108	1,870,743,559
Stockholders' equity		
Common stock, \$1 par value , Authorized 100 shares; issued and outstanding 100 shares as at March 31, 2014 and December 31, 2012	3,137	3,137
Additional paid in capital	9,457,857,964	54,981,913
Retained earnings	(86,815,942)	100,177,212
Accumulative other comprehensive (loss) income	12,846,159	5,007,643
Total stockholders' equity	9,383,891,318	160,169,904
Total liabilities and stockholders' equity	10,277,697,426	2,030,913,463

See accompanying notes to the financial statements

RANBAXY USA, INC.
Statement of Operations

Fifteen months ended March 31, 2014 and year ended December 31, 2012
(All amount in United States dollars, unless otherwise stated)

	Fifteen months ended March 31, 2014	Year ended December 31, 2012
Revenues	\$ 2,529,679	\$ 6,237,962
Cost of revenues (excluding depreciation) (Refer to note 3)	6,218,323	5,979,960
Depreciation	2,451	5,625
Operating (loss) / income	\$ (3,691,095)	\$ 252,377
Income tax (benefit) / expense	(530,911)	56,337
Net (loss) / income	\$ (3,160,184)	\$ 196,040
Retained earnings, beginning	1,924,841	1,728,801
Retained earnings, ending	\$ (1,235,343)	\$ 1,924,841

See accompanying notes to the financial statements.

RANBAXY USA, INC.
Statement of Operations

Fifteen months ended March 31, 2014 and year ended December 31, 2012
(All amount in Indian Rupees, unless otherwise stated)

	Fifteen months ended March 31, 2014	Year ended December 31, 2012
Revenues	149,685,157	333,580,845
Cost of revenues (excluding depreciation) (Refer to note 3)	367,948,107	319,783,963
Depreciation	145,057	300,790
Operating (loss) / income	218,408,006	13,496,091
Income tax (benefit) / expense	(31,414,852)	3,012,674
Net (loss) / income	(186,993,154)	10,483,418
Retained earnings, beginning	100,177,212	89,693,794
Retained earnings, ending	(86,815,942)	100,177,212

See accompanying notes to the financial statements.

RANBAXY USA, INC.

Notes to the Financial Statements

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

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Incorporation and history

Ranbaxy USA, Inc. ('the Company') was incorporated on January 1, 2004 in the State of New Jersey. It is a wholly-owned subsidiary of Ranbaxy Inc. ('Parent company'), 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 wholly-owned subsidiary of Ranbaxy Laboratories Limited ('the intermediate holding company') ('RLL'). RLL is a subsidiary of Daiichi Sankyo Company Limited, Japan, which is also the ultimate holding company. The Company is a service company and its operations support the sales efforts of its affiliates Ranbaxy Pharmaceuticals, Inc. ('RPI'), Ohm Laboratories, Inc. and Ranbaxy Laboratories, Inc. The Company was operating from facilities in New Jersey and Florida in the United States of America ('USA').

(b) Basis of accounting

The financial statements have been prepared in accordance with the recognition and measurement principles of U.S. generally accepted accounting principles (US GAAP) and include only the following:

- Balance sheet as at March 31, 2014 and December 31, 2012;
- Statement of operations for the fifteen months period ended 31 March 2014 and twelve months period ended 31 December 2012; and
- Significant accounting policies and notes to the financial statements, to the extent considered required by the management.

These financial statements have been prepared for the limited purpose of the information and use of the management of RLL within India and hence contain only limited disclosures. Accordingly, certain disclosures (including Statement of Cash Flows and Statement of Changes in Stockholders' Equity and Comprehensive Income/Loss) that are required to present fairly the financial statements in conformity with US GAAP have been omitted.

The financial year of the Company has been changed from January-December to April-March effective 01 April 2014. In view of this, the current financial year of the Company is for a period of 15 months i.e. 01 January 2013 to 31 March 2014 ('current period') and, accordingly, the figures for the current period are not comparable with figures for the year ended 31 December 2012 ('previous year') presented in the statement of operations and related notes. Also refer to note 4.

(c) Use of estimates

The preparation of financial statements in conformity with 'basis of accounting' as discussed in 1(b) above 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 accrued liabilities, determination of useful lives for property, plant and equipment and deferred taxes. 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 changes in estimates are recognized prospectively.

RANBAXY USA, INC.

Notes to the Financial Statements

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

(d) Functional currency

Operations of the Company are carried out in USA and accordingly, functional currency of the Company is determined as U.S. Dollar ('USD' or '\$').

(e) Revenue recognition

Revenue comprises services rendered to fellow subsidiaries related to sales and marketing support. The Company charges the same based upon the agreed costs as per the terms of the agreement along with the agreed markup on the costs. The income is recognized when the services are rendered to fellow subsidiaries.

(f) 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 statement of operations.

The estimated useful lives of assets are as follows:

Computers	4 years
Office equipment	8 years
Furniture and fixtures	8 years

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

(g) 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 being software is 4 years.

(h) Other current assets

Other current assets comprise of prepaid expenses and prepaid insurance.

(i) Employee benefit plan

The Company participates in a retirement plan under Section 401(k) of the Internal Revenue Code ("Code") covering substantially all eligible employees. The plan allows for employees to defer up to 15% of their annual earnings (within limitations prescribed in the code) on a pre-tax basis through voluntary contributions to the plan. The plan provides that the entity can make optional contributions in an amount up to the maximum allowable by Section 404 of the Code. The contributions by the Company are recognised as an expense as incurred.

RANBAXY USA, INC.

Notes to the Financial Statements

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

(j) Income taxes

Ranbaxy Inc., the Parent company files a 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 the amount payable is presented as due to related parties in the financial statements.

Under the 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 positions are recognized and measured using the 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. Interest and penalties related to unrecognized tax benefits is included income taxes expense/ benefits for the period.

(k) Stockholders' Equity

Holders of common stock are entitled to one vote per share, and to receive dividends and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to stockholders. The holders have no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares.

2) EQUITY INFUSION

During the current period, Ranbaxy Inc. i.e. the parent company has infused equity of USD 156,905,000 [INR 9,395,508,982] (previous year USD Nil [INR NIL]) into the Company.

3) SETTLEMENT WITH US DOJ

During the current period, RLL Group has negotiated and settled with the Department of Justice of USA ('US DOJ') for resolution of civil and criminal allegations on 13 May 2013 as per the decree of the court of Maryland. RLL had recorded a provision of USD 500,000,000 [INR 26,595,744,681] in the year ended 31 December 2011, to cover all civil and criminal liabilities. The settlement of this liability (along with related interest and other cost) in compliance with the terms of settlement was subject to regulatory/statutory provisions. The above mentioned decreetal amount of liability has been paid by the US fellow subsidiaries of the Company including RPI, a limited risk distributor. Under the said agreement of distribution, RPI has invoked indemnity for itself and inter alia its affiliates. The settlement amount has, accordingly, been apportioned between RLL and its US subsidiaries. Accordingly, accounting adjustments arising from apportionment of the total settlement amount between RLL and its US subsidiaries, including the impact of apportionment on provision for taxation, have been carried out and therefore USD 26,100,000 [INR 1,544,378,698] was apportioned to US fellow subsidiaries of the Company of which

USD 3,700,000 [INR 218,934,911] has been allocated to the Company and is included under cost of revenues.

RANBAXY USA, INC.

Notes to the Financial Statements

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

4) GOING CONCERN

Pursuant to the above settlement, the Company pleaded guilty for criminal liability and has paid USD 156,800,000 [INR 9,278,106,509] out of the overall settlement amount which has been cross charged to RLL pursuant to the terms of the indemnity invoked by RPI. This amount is shown under due from related parties under current assets as the Company expects to realize this within 12 months from the reporting date.

As a result, the Company is no longer permitted to transact any business in USA and will be liquidated once the notice of debarment is received from relevant regulatory authorities. Accordingly, the financial statements of the Company have been prepared on the assumption that the fundamental accounting assumption of going concern is no longer applicable. Consequently, all assets and liabilities have been reflected at the values at which they are expected to be realized / discharged.

5) DUE TO / FROM RELATED PARTIES

During the current period, the subsidiaries of the Parent company have agreed to offset their respective receivable and payable balances and, accordingly the resultant net receivable/ payable from respective subsidiaries has been included under due from/to related parties in the financial statements as at 31 March 2014.

6) SHARE BASED COMPENSATION

During the current period, the Company has recorded stock option expense of USD 35,059 [INR 2,074,497] (previous year USD 214,584 [INR 11,475,080]) with a corresponding credit to the additional paid in capital.

7) INCOME TAX PAYABLE

The liability towards income tax payable amounting to USD 408,563 [INR 24,464,850] (previous year USD 94,396 [INR 5,158,251]) is included under due to related parties as at the Balance Sheet date. Also refer to note 1(j).

8) EMPLOYEE BENEFIT PLAN

The Company's contribution towards employee benefit plan is USD 50,630 [INR 2,995,858] (previous year USD 96,862 [INR 5,179,786]).

9) SUBSEQUENT EVENTS

The Company has evaluated that there are no subsequent events which require any adjustment/disclosures in the financial statements.

Note : Conversion rate used against Indian Rupees for the year 2014 and 2012 are:

i) Items relating to Profit and Loss account at Average rate: 1 USD= 0.0169 [2012: 1 USD =0.0187]

ii) Items relating to Balance sheet at Closing rate: 1 USD = 0.0167 [2012: 1 USD=0.0183]