

Ranbaxy Signature LLC

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

WORKING RESULTS	USD in Thousand
Ranbaxy Signature LLC	Period ended
	03/31/14
Total Sales	3,365
Profit/(Loss) before Interest, Depreciation, and Amortization	1,743
Interest	-
Exchange Loss/(Gain)- (Net) on Loans	-
Depreciation and Amortization	-
Profit/(Loss) before Tax	1,743
Income Tax (benefit)/expense	-
Profit/(Loss) after Tax	1,743
Balance as per last balance sheet	(12,581)
Transfer from Foreign projects reserve	-
Accumulated Losses	(10,838)

WORKING RESULTS	INR in Thousand
Ranbaxy Signature LLC	Period ended
	03/31/14
Total Sales	199,107
Profit/(Loss) before Interest, Depreciation, and Amortization	103,114
Interest	-
Exchange Loss/(Gain)- (Net) on Loans	-
Depreciation and Amortization	-
Profit/(Loss) before Tax	103,114
Income Tax (benefit)/expense	-
Profit/(Loss) after Tax	103,114
Balance as per last balance sheet	(478,153)
Transfer from Foreign projects reserve	-
Accumulated Losses	(375,039)

Operations

Ranbaxy Signature LLC is a joint venture between Ranbaxy, Inc, and Signature Pharmaceuticals, Inc. Ranbaxy Inc., has a 67.5% controlling interest in the joint venture.

It is operating for the sales and distribution of Metformin Liquid (Riomet). There were no sales of Riomet during the period due to suspension of manufacturing at Gloversville facility.

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 period.

Changes in Capital Structure

There were no changes to the Company's capital structure during 2014.

Directors

The Board constitutes of: Venkat Krishnan, John P. Reilly, Scott Tomsy and Manjeet Bindra from Ranbaxy; and V. Ravi Chandran and V. Ramakrishnan, both are appointees from Signature Pharmaceuticals Inc.

Sd/-
Director

Dated: 19 May 2014

RANBAXY SIGNATURE LLC.

Financial Statements

March 31, 2014

(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 Signature LLC. („the Company“) which comprises the Balance Sheet as at March 31, 2014, 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 described in note 1(b) of these financial statements 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 the 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 2 of the financial statements which explains that the Company has accumulated losses resulting in erosion of its net worth as at 31 March 2014. 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.

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 Director of Ranbaxy Laboratories Limited („RLL“) („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 the Board of directors of RLL and should not be used or distributed to any other party.

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

Pravin Tulsyan
Partner
Membership No.:109044

Place: Gurgaon, India
Date: 19 May 2014

RANBAXY SIGNATURE LLC.
Balance Sheet

March 31, 2014

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

	<u>March</u> <u>31, 2014</u>
ASSETS	
Current assets :	
Cash and cash equivalents	51,773
Inventories, net	73,319
	<u>125,092</u>
Total current assets	
Due from related parties	450
Total assets	<u><u>\$ 125,542</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
	-
Total current liabilities	<u>-</u>
Due to related parties (Refer to note 3)	10,913,672
Total liabilities	<u>10,913,672</u>
Stockholders' equity (deficit)	
Additional paid in capital	50,000
Retained earnings	(10,838,130)
Total stockholders' deficit	<u>(10,788,130)</u>
Total liabilities and stockholders' deficit	<u><u>\$ 125,542</u></u>

See accompanying notes to the financial statements

RANBAXY SIGNATURE LLC.
Balance Sheet

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

	<u>March</u> <u>31, 2014</u>
ASSETS	
Current assets :	
Cash and cash equivalents	3,100,169
Inventories	4,390,362
	<u>7,490,531</u>
Total current assets	
Due from related parties	26,946
Total assets	<u>7,517,477</u>
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
	-
Total current liabilities	<u>-</u>
Due to related parties	653,513,243
Total liabilities	<u>653,479,581</u>
Stockholders' equity (deficit)	
Additional paid in capital	2,994,012
Retained earnings	(375,037,984)
Accumulative other comprehensive (loss) income	(273,951,446)
Total stockholders' deficit	<u>(645,955,765)</u>
Total liabilities and stockholders' deficit	<u>7,517,477</u>

See accompanying notes to the financial statements

RANBAXY SIGNATURE INC.
Statement of Operations

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

	<u>Fifteen months ended March 31, 2014</u>
Net sales (Refer to note 4)	3,364,913
Total revenue	<u>\$ 3,364,913</u>
Cost of goods sold (Refer to note 4)	330,814
Selling, general and administration expenses (Refer to note 4)	1,291,457
Operating income/ (loss)	<u>\$ 1,742,642</u>
Net income	<u>\$ 1,742,642</u>
Retained earnings, beginning	(12,580,772)
Retained earnings, ending	<u>\$ (10,838,130)</u>

See accompanying notes to the financial statements

RANBAXY SIGNATURE INC.
Statement of Operations

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

	<u>Fifteen months ended</u> <u>March</u> <u>31, 2014</u>
Other operating income (“Refer to Note 3”)	199,107,305
Total revenue	<u>199,107,305</u>
Cost of revenue	19,574,785
Selling, general and administration expenses	76,417,593
Operating income/ (loss)	<u>103,114,927</u>
Net income	<u>103,114,927</u>
Retained earnings, beginning	(478,152,911)
Retained earnings, ending	<u><u>(375,037,984)</u></u>

See accompanying notes to the financial statements

RANBAXY SIGNATURE LLC.

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 Signature LLC. („the Company“) was formed for development, manufacture and distribution of a liquid form of a Diabetes drug called Riomet. Ranbaxy Inc. („Parent company“) has a 67.5% stake in the Company and the balance 32.5% is held by a Minority Stakeholder, Signature Pharmaceuticals, Inc. The Company was formed in the year 2000 and commenced commercial operations in 2004.

(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;
- Statements of Operations for the fifteen months period ended 31 March 2014 ; and
- Significant accounting policies and related 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 Ranbaxy Laboratories Limited („RLL“) („intermediate holding company“) 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“). The company has presented only a single period financial statement for the current period and hence not presented the comparative amounts.

(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 at the date of the financial statements and the results of operations during the reporting period. 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 changes in the estimates are recognized prospectively.

(d) Functional currency

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

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balance placed with banks in the normal course of business operations.

RANBAXY SIGNATURE LLC.

Notes to the Financial Statements

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

(f) Revenue Recognition

Revenue is earned when persuasive evidence of an arrangement exists, 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 discount, volume discounts, rebates, chargebacks and other credit/allowances as applicable.

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 pays for that product. The Company estimates the amount of expected chargeback primarily based on historical experience regarding expected wholesaler inventories and current contract prices.

(g) Inventories

Inventories consist of traded goods which are stated at the lower of cost and market value. The cost of traded goods is determined using their „moving weighted average“ cost. A write down of inventory to the lower of cost and 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 and obsolete inventory. Such write-downs, if any, are included in the cost of goods sold.

(h) Income taxes

The Company is taxed as a partnership for U.S. federal and state purposes; accordingly federal and state income taxes have not been provided as the income or loss will be included in the Parent company's income tax returns.

2) GOING CONCERN

The Company has accumulated losses resulting in subsequent erosion of its net worth as at 31 March 2014. The Company has continuing financial and operational support from its Parent company. Hence, it is considered appropriate to prepare these financial statements on the going concern basis.

3) 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 receivables/payable from the respective subsidiaries has been included under due from/to related parties in the financial statements as at 31 March 2014.

RANBAXY SIGNATURE LLC.**Notes to the Financial Statements****(All amount in United States dollars, unless otherwise stated)****4) ARRANGEMENT FOR RIOMET SALES**

The Company has the intellectual property rights in relation to a product „Riomet“. Ranbaxy Laboratories Inc. („RLI“), USA, a fellow subsidiary, has acted as an agent in relation to procurement, sale, marketing and distribution of the said product on behalf of the Company. The Company is ultimately responsible for fulfillment, including the acceptability of the products ordered or purchased by its customers and has reasonable latitude, within economic constraints, to establish the exchange price with its customers for the product and continues to bear the general inventory risk both before customer order is received or upon customer returns. As per the terms of the arrangement, although, RLI is responsible for collecting the sales price from customers of the said product, the Company continues to bear the credit risk associated with the sale of this product and also any losses in relation to inventory obsolescence.

Accordingly, the Company, on the basis of records of all such transactions i.e. sales, cost of goods sold, selling, general and administrative expenses, etc, as maintained and submitted by RLI to the Company has presented the revenue from sales of this product on a gross basis in these financial statements in the following manner:

Particulars	Fifteen months ended March 31, 2014
Net sales	3,364,913 [INR 199,107,278]
Cost of goods sold	330,814 [INR 19,574,739]
Selling, general and administration expenses	1,290,894 [INR 76,384,260]

5) 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

- i) Items relating to Profit and Loss account at Average rate: 1 USD= 0.0169
- ii) Items relating to Balance sheet at Closing rate: 1 USD = 0.0167