

# EXPANDING OUR REACH

OPEN. THE DOOR. TO...

... a Wider World

... a Better Future

... a Healthier Society

Dong-A Pharmaceutical

2010

Annual Report

[www.donga-pharm.com](http://www.donga-pharm.com)

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## CONTENTS

( Expanding Our Reach )	03	_ Profile
	04	_ Financial Highlights
	05	_ Share Information
	06	_ Letter to Shareholders
	10	_ Our Milestone
( Open the Door to... )	14	_ Vision & Strategy
	15	_ Corporate Governance
	17	_ Board of Directors
( Open the Door to... A Wider World )	20	_ Global Performance Review
	22	_ Global Strategy
( Open the Door to... A Better Future )	26	_ Research & Development
	32	_ R&D Pipeline
	33	_ Pipeline Item Descriptions
	34	_ Strategic Alliances
	36	_ GSK
( Open the Door to... A Healthier Society )	40	_ Sustainable Overview
	43	_ Stakeholders Engagement
	44	_ Ethical Management
	46	_ Human Resources
	48	_ Social Responsibility
	52	_ Financial Review
	102	_ Dong-A Socio Group
	103	_ About Department
	104	_ IR Information

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# EXPANDING OUR REACH

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## KEY PRODUCTS

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[Dong-A Pharmaceutical](#)

2010  
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**EXPANDING.** \_\_\_\_\_



OUR.

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REACH.

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Dong-A has been the undisputed leader in the Korean pharmaceutical industry since 1932. Since its inception, respect for life and contributing to a healthier society have been its overriding virtue and mission. Under the "Vision 2012: a global company renowned for its innovative pharmaceuticals," Dong-A devotes its resources into developing medicines that will improve the quality of life and health of society, thus promoting the value of human life.

**THE NO. 1 PHARMACEUTICAL  
COMPANY IN KOREA**

## FINANCIAL HIGHLIGHTS

### RESULTS OF OPERATIONS

(unit : KRW in billions)

For the years ended	2010	2009	Change
Sales	846.8	801.1	5.7%
Cost of Sales	345.6	323.2	6.9%
Operating Income	98.5	91.9	7.2%
Selling and Administrative Expenses	402.7	386.0	4.3%
Non-operating Income(Expenses)	-2.4	-6.8	-64.7%
Income before Income Tax Expenses	96.1	85.1	12.9%
Income Tax Expenses	25.7	21.8	17.9%
Net Income	70.4	63.3	11.2%

### FINANCIAL POSITION

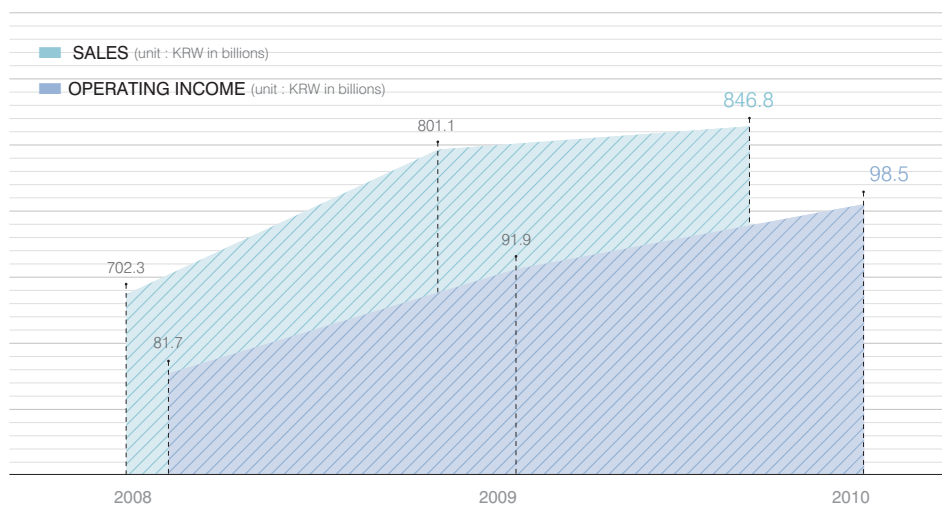
(unit : KRW in billions)

As of the years	2010	2009	Change
Total Assets	1,160.4	1,000.0	16.0%
Total Liabilities	431.6	420.0	2.8%
Total Shareholders' Equity	728.9	580.1	25.7%

### KEY PERFORMANCE INDICATORS

(unit : %)

Key financial ratios	2010	2009	Change
Operating Profit Margin	11.6%	11.5%	0.1%p
Net Profit Margin	8.3%	7.9%	0.4%p
ROE	8.1%	7.6%	0.5%p



## SHARE INFORMATION

### SHARES ISSUED

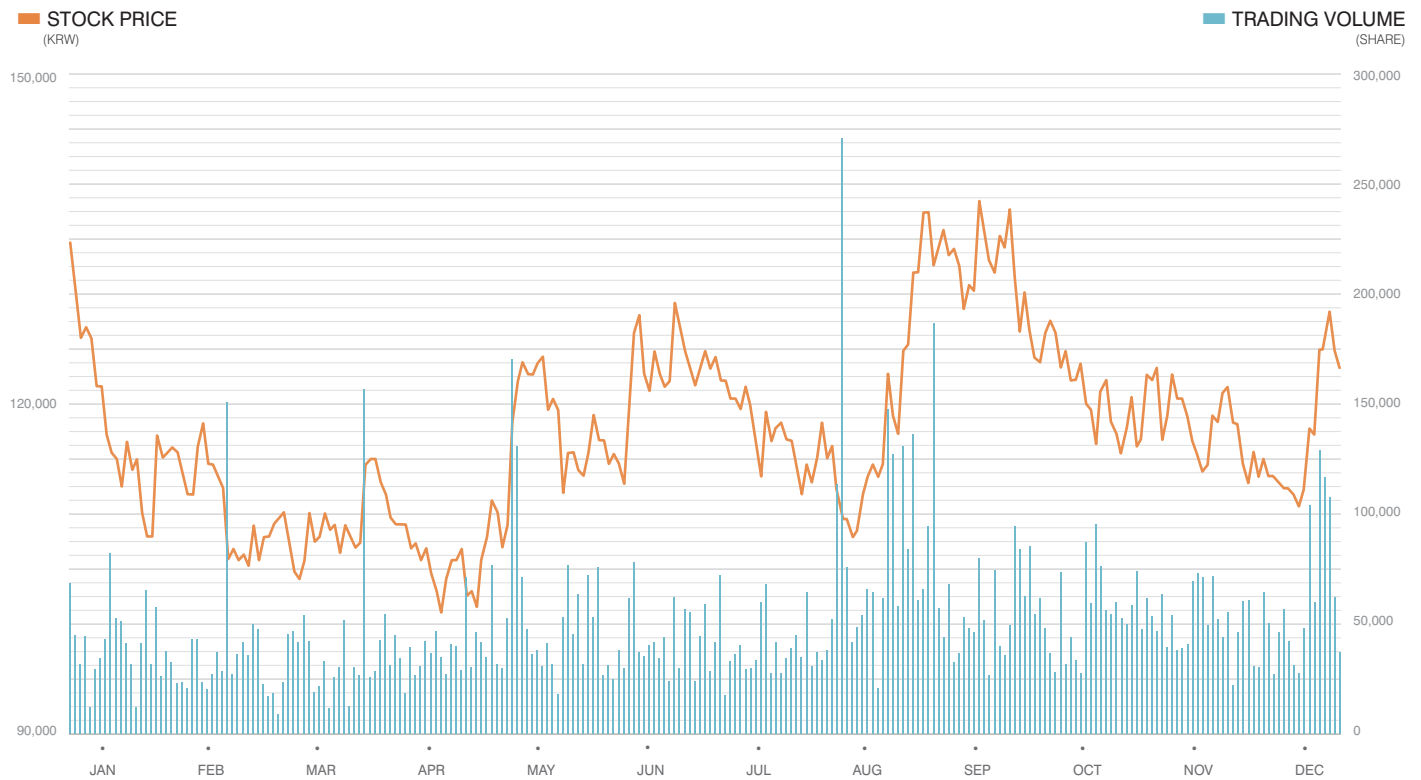
(As of Dec 31, 2010)

Category	Common Shares	Total
Number of Shares Issued	11,135,000	11,135,000
Number of Treasury Shares	104,760	104,760
Number of Outstanding Shares	11,030,240	11,030,240

### DIVIDEND

(unit : KRW in millions)

Category	2010	2009	2008
Face Value per Share	5,000	5,000	5,000
Earnings per Share	6,752	6,634	4,510
Total Dividends	11,030	7,808	7,579



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## LETTER TO SHAREHOLDERS

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In 2010, Dong-A solidified its leading market position as Korea's best new drug developer on the strength of in-house developed products such as Stillen® and Zydena®. Our future growth engine, exports also posted significant 20% growth. The strategic alliance with GSK will provide Dong-A with increasing access to globally excellent products, thus allowing us to upgrade our drug development capacity to that of a globally competent level.



**SHIN-HO KANG**  
Chairman, Dong-A Socio Group



**WON-BAE KIM**  
CEO, Dong-A Pharmaceutical

**Distinguished Shareholders,**

On behalf of everyone at Dong-A, I would like to express my deepest appreciation for your support and encouragement during the past year.

In 2010, the Korean pharmaceutical industry experienced one of the hardest year in its history due to stricter regulations and fierce competition. Amid this difficult business environment, every single Dong-A employee did their best to cope with the rapidly changing market environment. Unfortunately, we fell short of reaching the goal we had set at the beginning of last year. For this, I offer my deepest apology to our shareholders.

Although we fell short of meeting your expectations this past year, we were able to realize sound business results.

Total sales grew 5.7%, reaching KRW 846.8 billion, while operating profits increased 7.2%, to KRW 98.5 billion. Furthermore, Dong-A solidified its leading market position as Korea's best new drug developer on the strength of in-house developed products such as Stiller® and Zyderna®. Our future growth engine, exports also posted significant 20% growth.

Backed by these impressive results, we continued with our efforts to secure new growth engines targeting global markets.

In that context, our strategic alliance with GSK will provide Dong-A with increasing access to globally excellent products, thus allowing us to upgrade our drug development capacity to that of a globally competent level. In addition, we have constructed a new R&D building that is equipped with state-of-the-art facilities and global leading technologies, as well as acquired Samchully Pharmaceutical, which also brought in the global standard cGMP plant, thus fortifying our R&D competences.

The R&D sector also demonstrated significant performances. On the domestic front, we rolled out the low dose formulation of Zyderna® 50mg, while the herb-based functional dyspepsia treatment has completed its phase III clinical trials and is set to be commercialized in 2011. Furthermore, we concluded a licensing agreement with Medipost for the rights to the domestic sales of Cartistem, an articular cartilage restoration stem cell therapeutic. Meanwhile, Zyderna® and DA-7218 are currently in phase III of their clinical trials in the US.

Dong-A's long-standing efforts in seeking partnerships with global leading pharmaceutical companies with advanced R&D technologies bore fruit as it entered into strategic alliances with GSK. In addition, our acquisition of Samchully Pharmaceutical marks a turning point for the company in its bid to leap forward as a globally competent pharmaceutical company.

Behind these impressive results are our dedicated employees who make shareholder value their main priority. Once again, my heartfelt gratitude goes to our employees, customers and shareholders for their continued encouragement and support.

Looking ahead to 2011, we expect these challenging market conditions to continue. The crackdown on rebate practices and stricter drug price regulations will lead to contraction in the domestic pharmaceutical market. Furthermore, government regulators have announced their intention to support research-driven companies and to successively enforce ever stricter governance and transparency guidelines. Competition again is expected to intensify; with the old way of thinking and customs falling behind ever-changing market trends. As a result, new strategies are required to tide over this turmoil.

Therefore, Dong-A has established new strategies for 2011 in a bid to attain its goal of becoming a respected pharmaceutical company.

First, we will reinforce our global competences, firmly backed by our strategic alliances.

Dong-A's long-standing efforts in seeking partnerships with international pharmaceutical companies with advanced R&D technologies bore fruit as it entered into strategic alliances with Otsuka Pharmaceutical and GSK. In addition, our acquisition of Samchully Pharmaceutical marks a turning point for the company in its bid to leap forward as a global leading pharmaceutical company.

While focusing on cementing these alliances, we will continue our efforts to reinforce our global competences and seek more strategic partnerships with those possessing competent technologies.

Second, we will reinforce our R&D competences in order to launch differentiated new products.

In 2011, our third in-house developed new drug, the herb-based functional dyspepsia treatment, DA 9701, and Korea's first articular cartilage restoration stem cell therapeutic, will be launched in the domestic market. Furthermore, Zydene®

and DA-7218 are expected to complete Phase III of their clinical trials in the US. These are the results of our consistent investment in R&D.

In the coming year, we will continue our endeavors to establish our brand image as an R&D leader. In that context, our new R&D building, which was completed last year, will be instrumental.

**Third, we will further solidify our market leadership as Korea's No. 1 pharmaceutical company.**

The fast-changing business environment unfolding in the domestic market calls for changes in marketing strategies. In line with this, Dong-A has devised new strategies that cater to new market demands in order to maintain its leadership in the domestic market. Going forward, we will further solidify our market leadership based on the strong and mutual trust that we have established with our customers as well as our market power.

While making these efforts; we will never neglect our responsibilities to society. In line with the corporate philosophy of respecting human life, we will actively engage in various community programs and continue to make numerous social contributions. In addition, we will strive to further enhance transparency in our corporate governance in the practice of ethical management.

The achievement we have made to date would have been impossible without the support and encouragement of our shareholders. Once again, my deepest appreciation goes to our shareholders for their continued enthusiastic encouragement. Looking ahead, Dong-A will spare no efforts to realize its vision of becoming a "global company renowned for its innovative pharmaceutical products" and maximize shareholder value. Taking opportunities from risks, we will sustain growth.

I humbly ask for your continued encouragement and trust in these efforts.

Thank you.



**SHIN-HO KANG**

Chairman,  
Dong-A Socio Group



**WON-BAE KIM**

CEO,  
Dong-A Pharmaceutical

## OUR MILESTONE

### 1930's~1970's

**1932**

Founded as a pharmaceutical and hygiene material wholesaler named CHOONG-HEE KANG'S WHOLESALER in Joonghak-Dong, Jongro-Ku, Seoul

**1949**

Changed name to Dong-A Pharmaceutical Corporation

**1957**

Constructed modern facility, headquartered in Yongdu-Dong, Dongdaemun-Ku, Seoul

**1963**

Manufactured Bacchus-D®, an energy drink

**1967**

Ranked 1st in sales among domestic pharmaceutical companies

**1970**

Initial public offering (IPO)

**1977**

Established research center



Laboratory in the early 1950s.

### 1980's~1990's



Dong-A Pharmaceutical R&D center completed in Sep 3, 1988.

**1980**

Constructed a GMP-compliant facility in An-Yang

**1981**

First export of Bacchus-D® to the United States

**1982**

Constructed new enzyme facility in Ansan (Banwol Plant)

**1985**

Certified as a KGMP-compliant facility

**1987**

Export exceeded USD 10 million

**1988**

Constructed a KGLP-compliant research center in Yongin (Sanggal Plant)

**1991**

Developed a diagnostic drug for hepatitis C

**1993**

Developed growth hormones

Developed a second generation dual diagnostic drug for AIDS

**1994**

Sales of Bacchus-F® exceeded KRW 100 billion

Exported patented non-narcotic analgesics to Japan

Developed dual diagnostic drug for AIDS and hepatitis C

**1995**

Established SOZHOU DONG-A BEVERAGE CO., LTD. in China

**1996**

Constructed plant in Ogang City, Gangso, China for manufacturing Bacchus-F®

## 2000's~

### 2000

Cheon-An plant certified as KGMP-compliant  
 Banwol plant certified as BGMP-compliant  
 Concluded manufacturing technology transfer agreement with Janssen Korea for the antifungal molecule Itraconazole

### 2001

Published brand history book on Bacchus® marking its 40th anniversary  
 Corporate bonds and commercial paper credit rating revised upward to BBB and A3, respectively  
 Received "Excellent Shareholder Focused Management Award"

### 2002

Obtained marketing authorization of Stillen®, a new phyto-medicine for gastritis  
 Sales exceeded KRW 500 billion for the first time in domestic pharmaceutical history



Panorama of Cheonan Plant



In October 2010, Dong-A brought to market Zydena® 50mg, daily low dose formulation, the second of this type to be launched anywhere in the world.

### 2003

Established joint venture with a Chinese company named Mu Han Dong Hwa Pharm Yu Han Gong Sa

### 2004

Dong-A Pharmaceutical Chairman Shin-Ho Kang appointed as chairman of the Federation of Korean Industries

### 2005

Dr. Won-Bae Kim appointed as 6th CEO  
 Launched Zydena®, an erectile dysfunction treatment

### 2006

Launched Gonadopin®, an infertility treatment for women



Dong-A invested KRW 71 billion in expanding and renewing its Research Center in 2010.

### 2007

Shin-Ho Kang received highest mark of honor from Japanese Emperor for its contribution to the friendship between Korea and Japan  
 Sales exceeded KRW 600 billion for the first time in domestic pharmaceutical history  
 Awarded Jang Young Shil Award, given to engineers who have achieved commercially successful technology innovation, for Zydena®

### 2008

Successfully completed the first year of 'Global Dong-A'  
 Sales exceeded KRW 700 billion for the first time in the domestic pharmaceutical industry  
 Signed export contracts for Zydena® with 30 countries

### 2009

Entered phase III trials of Zydena® in the U.S.  
 Successfully completed Phase II trials of oxazolidinone antibiotic in the U.S.  
 Launched Biosimilar Leucostim® in Turkey  
 Sales exceeded KRW 800 billion for the first time in domestic pharmaceutical history  
 Total assets exceeded KRW 1 trillion

### 2010

Entered into strategic alliance with GSK  
 Acquired Samchully Pharmaceutical and merged with existing subsidiary, U-Chem and renamed ST Pharm  
 Launched Zynena® 50mg, a single daily low dose formulation  
 Entered phase III trials of oxazolidinone antibiotic in the U.S.  
 Completed phase III trials of prokinetic agent, a phyto-medicine



**OPEN. \_\_\_\_\_ THE DOOR. \_\_\_\_\_**

Dong-A strives to further improve operational efficiency, foster globally competent people, maximize R&D productivity, and create market-oriented value ahead of its competitors.

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**TO ...**

At Dong-A Pharmaceutical, we devote our energies to creating greater value for our shareholders in the present and beyond. "Our Vision 2012"—to become a global company renowned for its innovative pharmaceutical products—best represents the ultimate goal of our day-to-day endeavors. Buoyed by an entrepreneurial spirit that looks to the future, we are determined to become a global leading company committed to contributing to a healthier society for everyone.

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## VISION & STRATEGY

As a cutting-edge pharmaceutical company, we have the opportunity and responsibility to improve the lives of people around the world.

Dong-A Pharmaceutical has set Vision 2012 as its roadmap for dealing with rapidly-changing market environments. Envisioning our future as a globally competent pharmaceutical company, we aim to become “a global company renowned for its innovative pharmaceuticals.” To achieve this goal, we have put in place four strategies, as follows:

First, we aim to solidify our market position as Korea’s number one pharmaceutical company, while striving to become one of the top 20 pharmaceutical companies in the world by 2012. As a countermeasure to the adverse market environments and the government’s stricter regulation on fair trade on the industrial transaction practice, we have channeled our resources into major products and drugs showing great potential to enhance sales efficiency. Furthermore, the acquisition of Samchully Pharmaceutical will stabilize our supply chains of active pharmaceutical ingredients (API) and add plants that meet cGMP standards. Furthermore, the strategic alliance with GSK will reinforce our product portfolio, while laying the foundation for Dong-A becoming a leading global pharmaceutical company.

Second, we are investing in the development of a top-notch sales force. We believe our competitive advantage lies in our ability to meet medical professionals on equal terms, which is why we provide specialized training courses to nurture medical representatives who are superior in training and knowledge.

Third, we will maintain and improve our focus on Research and Development (R&D). Our R&D is multifaceted and covers technological progress, product innovation and improvements in productivity. In 2010, Zyderna®—an erectile dysfunction drug is in phase III clinical trials in the US, and phase III trial of DA-7218—a super antibiotic, is now in progress, and DA-9701—a natural prokinetic, completed phase III clinical trials in Korea. In particular, the Zyderna® 50, daily low dose formulation, was launched in domestic markets in October 2010. We also invested in the construction of a new R&D building and a remodeling of the old building to create an advanced R&D infrastructure.

Finally, we will channel resources into creating value while catering to the needs of the market. All of us at Dong-A are aware of the need to create value for the company as well as its stakeholders. As a cutting-edge pharmaceutical company, we have the opportunity and responsibility to improve the lives of people around the world. At the heart of this commitment is our Vision 2012, and we are expanding our efforts in keeping with this vision.



## CORPORATE GOVERNANCE

Everything we do is underpinned by our dedication to the principles of transparent and sustainable management of our enterprise. Dong-A's officers and employees value the legitimate oversight of our customers, investors and the communities we work in.



As part of its continued efforts to further improve corporate governance, Dong-A also held its 2nd Corporate Governance Workshop in 2010 for the company's board members, and was organized by Daniel K. Oh, lead analyst for ISS Corporate Services, an MSCI brand

## Earning the Trust of Our Stakeholders

Dong-A has poured consistent efforts into making corporate governance more transparent and create a rational governance structure. According to the 2008 Governance Evaluation Report published by the Korea Corporate Governance Service, Dong-A ranked 73 out of 685 listed companies in Korea. Notably, we received a high score in the category of shareholder rights protection, in comparison to other listed companies in Korea.

The board of directors is increasing its roles and responsibilities in the overall management of the company, and we have set a long-term objective of allowing nominations of more outside Directors at the company's AGM and putting the outside nominees to an open shareholders' vote.

These plans have taken shape following various initiatives Dong-A has undertaken to raise its level of governance. In 2008, as an initial step, we hired the UK consultancy Sodali, along with John C. Wilcox, an international authority on governance, to hold a workshop for our senior managers and executives.

In 2009 Dong-A co-hosted a two-day workshop on trends in global governance for the benefit of the company's senior management. Our partner was ISS Corporate Services, a MSCI brand one of the world's leading consultancies in the field of risk management and governance. Participants in the workshop gained a thorough and up-to-date understanding of how shareholder value is elevated through heightened transparency and a rational governance structure.

As part of its continued endeavors to further improve corporate governance, Dong-A also held the second workshop in 2010.

Dong-A also implemented RiskMetrics' CGQ evaluation tool to identify and remedy governance issues. CGQ is widely used by many of the world's leading companies, and its adoption by Dong-A is a clear demonstration of our commitment to improving our overall governance systems to meet the standards of the world's most advanced economies.

Since 2009 we have significantly improved transparency with expanded comprehensive, real-time disclosure via our website and proxy materials. Some highlights include full disclosure of the compositions of our Board nomination committees, which are composed entirely of respected industry experts. These measures have received wide approval from our institutional investors, who unanimously supported all nominees at the 2009 AGM. All motions concerning the election of Directors and their compensation passed with high approval margins.

Furthermore, in November of 2009 Dong-A received a top employee stock ownership award from Korea's Ministry of Labor. The award recognized the success of the company's employee stock ownership plan in rewarding the efforts of employees, improving their awareness of economic and financial issues, and aligning the incentives of Dong-A's workers with our customers and shareholders. The plan has been offered to all employees and represents a total number of 546,613 shares (4.91% of issued shares) as of December 2010. An employee is allowed to buy up to a certain number of shares, depending on the position he or she holds within the company, for a maximum amount of KRW 12 million per year, and Dong-A makes an attractive

100% matching contribution to the plan. Any shares bought are subject to a 1-year holding requirement.

With the ongoing integration of the global economy, we are all increasingly aware of the importance of meeting global standards of governance. Indeed, it is the very foundation of the 'level playing field' that every honest company desires to play on. Dong-A is keenly aware that maintaining the trust and respect of our shareholders and customers is the basis of our ability to build sustainable value. We are grateful to all of our stakeholders for their past support, and pledge to continue to be worthy of that support for years to come.

*In November of 2009 Dong-A received a top employee stock ownership award from Korea's Ministry of Labor. The award recognized the success of the company's employee stock ownership plan in rewarding the efforts of employees, improving their awareness of economic and financial issues, and aligning the incentives of Dong-A's workers with our customers and shareholders.*





A Board of Directors Meeting in 2010

At Dong-A, transparency and independence are the overarching principles in the operation of the board of directors.

## BOARD OF DIRECTORS

### INSIDE DIRECTOR

#### WON-BAE KIM

Chief Executive Officer and Chairman of the Board

2007 Chairman of Board

2004 Chief Executive Officer and President

2003 Director of Board

1996 Chief Researcher, Research Center

1990 Seoul National University, Ph.D. in

Microbiology

1971 Seoul National University, M.S. in Pharmacy

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#### JUNG-SEOK KANG

Chief Operating Officer and Vice-President

2009 Sungkyunkwan University, M.S. in Pharmacy

2007 Chief Operating Officer and Vice President

2005 Director of Board

2005 Head of Marketing & Sales

1999 Head of Medical Equipment

1996 Head of Business Management

1988 Chung-Ang University, B.A. in Philosophy

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#### CHAN-IL PARK

Senior Executive Managing Director and Head of Development & Licensing

2008 Senior Executive Director

2006 Director of Board

2005 Head of Development & Licensing

2001 Head of Ethical Drug Product Management

1978 Seoul National University, B.A. in Pharmacy

### AFFILIATED DIRECTOR

#### CHUNG-SIK YOO

Affiliated Director

2003 Vice-Chairman (retired in 2007)

1993 Chief Executive Officer

1978 Director of Board

1962 Seoul National University, B.A. in Business

Administration

### OUTSIDE DIRECTOR

#### KYOUNG-BO KANG

Outside Director

Certified Public Accountant, Daehyun Accounting & Tax Firm

2006 Outside Director

2005 CPA, Daehyun Accounting & Tax Firm

1991 Korea University, Master of Business

Administration

1989 Korea University, B.A. in Business

Administration

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#### YOUNG-GER SEO

Outside Director

Seoul National University, Professor and Dean of Pharmacy

2008 Outside Director

2007 Seoul National University, Dean of Pharmacy

1987 University of Pittsburgh, Ph.D. in Organic Chemistry

1980 Seoul National University, M.S. in Pharmacy

1975 Seoul National University, B.S. in Pharmacy

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#### DAE-KYUNG KIM

Outside Director

Chung-Ang University, Professor of Pharmacy

2010 Outside Director

2009 Chung-Ang University, Dean of Pharmacy

1994 Chung-Ang University, Professor of Pharmacy

1990 University of Tokyo, Ph.D. in Pharmacological Biotechnology

1986 Seoul National University, M.S. in

Hygienic Chemistry

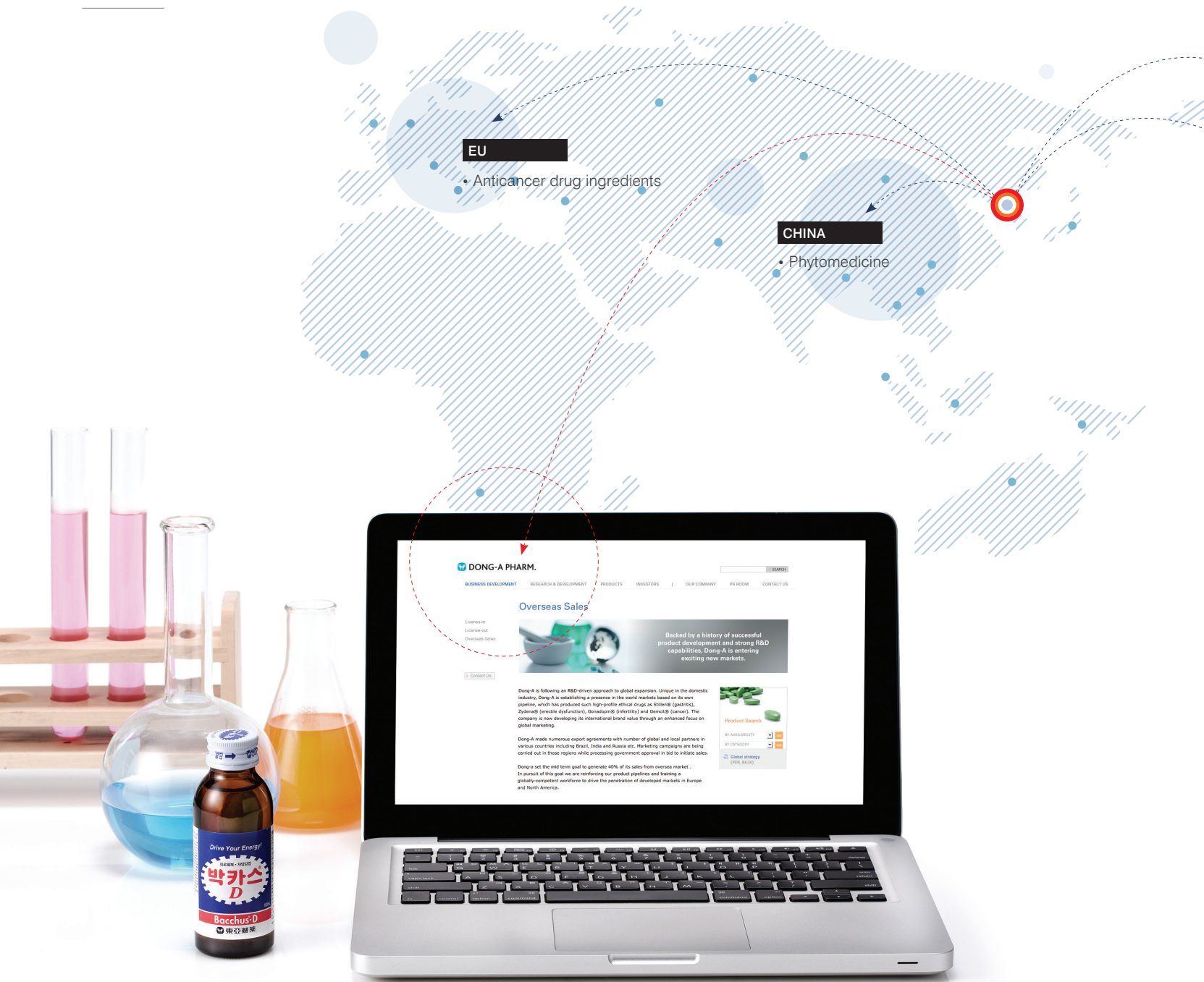
1983 Seoul National University, B.S. in Pharmacy

OPEN. \_\_\_\_\_ THE DOOR TO. \_\_\_\_\_

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## A WIDER WORLD.

Dong-A strives to become a globally competitive pharmaceutical firm. While seeking to ensure the sustainable growth of the company, Dong-A's passionate and dedicated employees work collectively to expand our markets on the strengths of Dong-A's excellent product line-up and exceptional service.



# Global Performance Review

IN ORDER TO ATTAIN ITS VISION OF BECOMING A LEADING GLOBAL PHARMACEUTICAL COMPANY, DONG-A AGGRESSIVELY PURSUES OVERSEAS MARKETS AND CURRENTLY EXPORTS ETCS AND OTCS TO MORE THAN 40 COUNTRIES IN EUROPE, LATIN AMERICA AND ASIA.



#### NORTH AMERICA

- NCE

#### SOUTH AMERICA

- Bio-pharmaceutical products

#### Countries with Export Contracts

Argentina, Australia, Azerbaijan, Bangladesh, Brazil, Canada, Chile, China, Colombia, Egypt, Germany, Ghana, Greece, Guam, Guatemala, India, Indonesia, Iran, Italy, Japan, Jordan, Mexico, Mongolia, Myanmar, New Zealand, Pakistan, Peru, Philippines, Singapore, South Africa, Thailand, Turkey, Russia, United Kingdom, United States, Vietnam, Netherlands, Romania, Spain, Paraguay, Dominica, Taiwan, Nepal, Cambodia, Hong Kong, Saudi Arabia, Afghanistan, Cote D'Ivoire, Ukraine

#### GLOBAL NETWORK

USA	China
Dong-A America Corporation 7215 Studebaker road, Suite #335, Cerritos CA90703, USA Phone: +1-213-840-6684	Suzhou Dong-A Beverage Co., Ltd.391 Pugangnan Rd Luxu, Wujiang City, Jiangsu Province, China 215211 Phone: +86-512-6327-4002



#### OVERVIEW

In order to attain its vision of becoming a respected pharmaceutical company for its innovative products, Dong-A aggressively pursues overseas markets and currently exports ETCs and OTCs to more than 40 countries in Europe, Latin America and Asia.

By category, the drug product segment exports the in-house developed drug Zydena®—an erectile dysfunction drug, and Stillen®—a gastric mucosal protective agent. The biologics segment exports Eporon®, Leucostim®, Growtropin®, Interferon®, and Gonadopin®. The Active Pharmaceutical Ingredients (API) segment exports taurine, cycloserine and terizidon—tuberculosis medicines, and epirubicin and gemcitabine anti-cancer drugs.

The company's extensive exports line-up spans from OTCs such as Bacchus D®—Korea's most popular energy drink— to Circulan® and Panpyrin®, as well as healthcare functional foods and life goods like Garglin®. These are the main engines of the company's global expansion, enhancing both the company's global presence and its corporate value.

#### R&D GLOBALIZATION

In order to grow as a pharmaceutical company with advanced R&D competence, Dong-A focuses its R&D efforts to meet local needs.

Dong-A's R&D Center pushes ahead with a two-pronged glocalization strategy; First, its R&D activities focus on the geographical characteristics and values of Korean, Chinese and Japanese markets.

Second, the company focuses on glocalization that caters to the features of new drugs and products. This can be seen in the company's strategy to license NCE-Modified in the North American market; the clinical trial of bio modified products in Latin American markets; local clinical trials and production of phytomedicines in the Chinese market, and the exporting of anticancer cure APIs to European markets.

## GLOBAL STRATEGY

Dong-A is focused on reinforcing its core competences and strengthening its global networks while actively developing new products tailored to individual markets. At the same time, we are strategically nurturing products that meet global standards for overseas markets. We will continue to seize new opportunities out of the unlimited possibilities of the global pharmaceutical markets.



### NEW MARKETS, GREATER VALUE

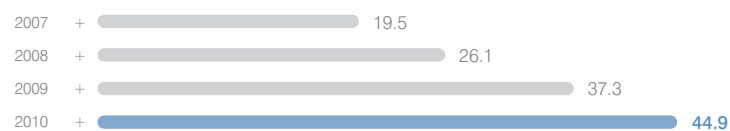
In 2010 we witnessed accelerated progress in our continuing efforts to grow as a global leading pharmaceutical firm. To this end, we have negotiated export contracts with partners in the US, Southeast Asia, Latin America and the Middle East and are progressing on new contracts with clients in Russia, Turkey and East European countries. Such efforts will surely usher in a new era for the company as we aim to be known as "Global Dong-A."

Sales of Zydena® heralded the advent of this new era with remarkable growth in exports to more than 30 countries, spanning Russia, Asia and Latin America. The total value of these contracts amounted to US\$300 million, the largest among Korean pharmaceutical exports. Our strategy for rapidly increasing our overseas earnings is to form close working relationships with prominent local partners. At the moment, we are aggressively pursuing clinical trials in India and Turkey, and in line with our plan to register products in the shortest times possible, we successfully completed registrations with the authorities of such nations as the Philippines, Indonesia and the CIS (Commonwealth of Independent States) countries in 2010. In the future, we will push harder for the rapid penetration of new markets using aggressive marketing campaigns.

Clinical trials for Interferon beta® were initiated in Brazil in 2010, a first among bio-pharmaceuticals for this type of drug, and this remarkable achievement has opened the door to not only the Latin American market but also the North American market for value-added bio-pharmaceutical products.

### OVERSEAS PERFORMANCE

(unit: KRW in billions)



With the success of finished pharmaceutical products we continued to work towards the export of active pharmaceutical ingredients (API), and were one step closer to our goal of exporting APIs to advanced pharmaceutical markets overseas in 2010. The markets for anti-tuberculosis treatments saw sustained growth, especially in India, while Atorvastatin® received a green light from the Japanese PMDA to register with local authorities. We also achieved significant progress in our efforts to advance into European markets with sales of APIs for the treatment of cancer.

Stillen®, meanwhile, is now being marketed in the Philippines following the conclusion of an export agreement. Given its proven efficacy in the Korean market and its very low side effects, we are confident that this flagship product will post strong growth in overseas sales.

Furthermore, since the 1990s, Dong-A has recorded steadily increasing exports of Gona-dopin®, a treatment for infertility, and other bio-pharmaceutical products to Southeast Asia, Latin America, India and other overseas locations. The total value of the company's export contracts for bio-pharmaceutical products is now in excess of US\$80 million.



Our strategy for rapidly increasing our overseas earnings is to form close working relationships with prominent local partners. At the moment, we are aggressively pursuing clinical trials in India and Turkey, and in line with our plan to register products in the shortest times possible, we successfully completed registrations with the authorities of such nations as the Philippines, Indonesia and the CIS (Commonwealth of Independent States) countries in 2010.

# 44.9

**KRW in billion**

Booming exports resulted in a remarkable 20.3% growth, rising to KRW 44.9 billion, thanks mainly to growing exports to India.

Plus, we have successfully set up a branch office in India as part of our global expansion drive.

Another valuable export brand is Bacchus® energy drink, which is now marketed in more than 30 countries, including the US, China and the Philippines. Localization is a key element of Dong-A's strategy of one day extending the reach of Bacchus® around the world.

In pursuit of global growth opportunities, we will continue to expand the company's export platform and develop an overseas sales force in the future. While increasing our presence in conventional markets, we will develop new export markets and register and roll out our products in many more overseas markets. Based on our reliable analysis of markets, we will develop high value-added products tailored to customer needs while providing excellent customer service.

Through these systematic and aggressive global strategies, Dong-A will further enhance its brand value in global markets, securing market leadership. All in all, our ultimate commitment is directed to providing greater value for our customers around the world.

**OPEN.** \_\_\_\_\_

**THE DOOR TO.** \_\_\_\_\_



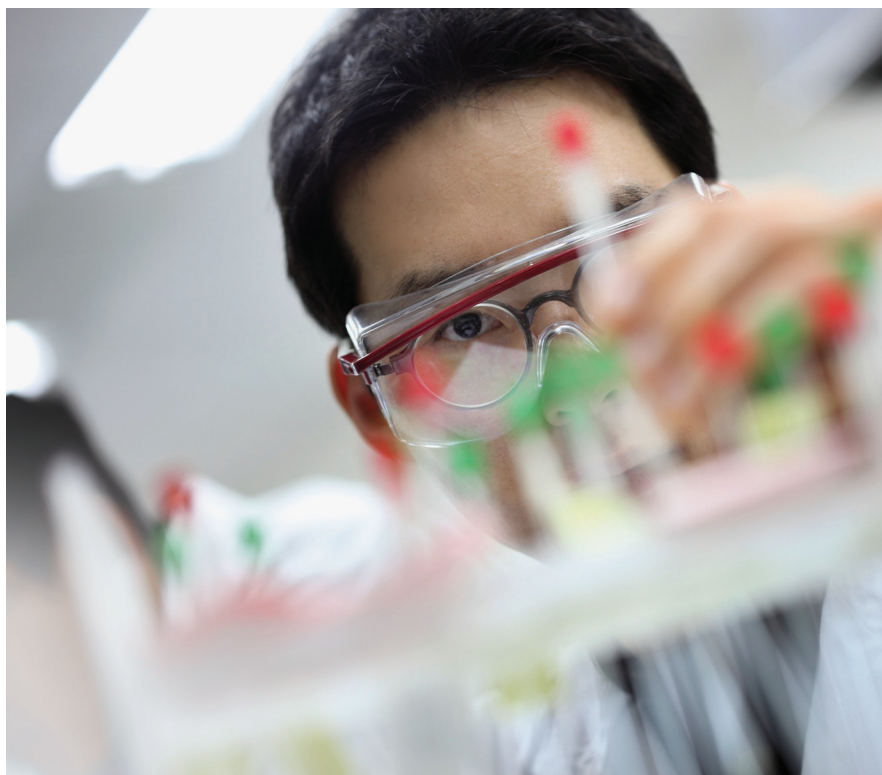
**A BETTER FUTURE.**

Not content to rest on our laurels as Korea's top pharmaceutical company, Dong-A seeks out challenges to enhance its future. The driving force behind our success and core values is the spirit of challenge we bring to all of the company's endeavors.

# Research & Development



WHILE DEVOTING ALL RESOURCES AVAILABLE TO STRENGTHENING ITS R&D COMPETENCES, DONG-A STRATEGICALLY LEVERAGE ITS ACCUMULATED R&D CAPACITIES IN ITS INITIATIVES TO GROW AS A GLOBAL LEADING PHARMACEUTICAL COMPANY.



In seeking to move into a new phase of development, Dong-A is taking practical and diversified steps towards the development of innovative new pharmaceutical products in selected areas.

While devoting all resources available to strengthening its R&D competences, Dong-A strategically leverage on its accumulated R&D capacities in its initiatives to grow as a global leading pharmaceutical company. As development of new drugs takes more than short-sighted investments or approaches, Dong-A takes a long-term approach to build competences through consistent R&D investments in order to become a respected global firm for its innovative pharmaceutical products.

Dong-A's vision is to become a leading global pharmaceutical company through sales of innovative pharmaceutical products. To attain this goal, we will continue to leverage our extensive R&D network for the development of innovative new ingredients for drugs, while making advances into overseas markets with a portfolio of products uniquely tailored to market demand.



Dong-A has put in motion the creation of a system for the evaluation of the feasibility of commercializing innovative products based on the development of new ingredients.



#### DEVELOPING INNOVATIVE NEW DRUG INGREDIENTS THROUGH R&D NETWORK

The success of new drugs brought to market by Dong-A since 2000 has provided the necessary grounding that has enabled the company to solidify its market leading position. Released in 2002, the success of the newly-developed drug, Stillen® was followed by Zyderna®, launched in 2005. The combined sales of these drugs amounted to KRW 107.7 billion as of 2010, providing excellent examples of how successful the introduction of new drugs in the domestic market can be. In 2011, we plan to release a new drug that is also based on a natural plant extract, as Stillen® is. In addition, phase III clinical trials of Zyderna® are now in progress in the U.S., and pivotal phase III trials of the antibiotic DA-7218 are also on-going in the U.S. Utilizing its technology and experience in the development of new drugs, Dong-A is currently channeling resources into the research and development of quality-of-life products.

In seeking to move into a new phase of development, Dong-A is taking practical and diversified steps towards the development of innovative new pharmaceutical products in selected areas. To this end, the company is working to develop drugs capable of significantly enhancing the quality of life of patients while earning greater recognition in global markets. Dong-A is working in close cooperation with renowned experts in pharmaceutical R&D and clinical trials to create new missions and projects from its vast R&D network. At the same time, the company has put in motion the creation of a system for the evaluation of the feasibility of commercializing innovative products based on the development of new ingredients.

Dong-A is actively working to secure channels for the export of its first-generation protein drugs, and to use its technologies to conduct clinical trials at the local level in global markets.



**EXPANDING THE DEVELOPMENT OF BIO-PHARMACEUTICAL PRODUCTS TARGETED AT GLOBAL MARKETS**

Dong-A has used genetic recombination and animal cell culture technologies since the 1980s as its primary resources for research in developing a variety of market-ready bio-pharmaceutical products. Following the success of first-generation protein drugs such as Growthropin®, Leucostim® and Eporon®, which collectively claim the lion's share of the company's global sales revenues, Dong-A is currently developing second-generation protein drugs using PEGylation, etc. Targeting global bio-pharmaceutical markets, Dong-A is actively working to secure channels for the export of its first-generation protein drugs, and to use its technologies to conduct clinical trials at the local level in global markets.

On the global front, markets have shifted to a focus on drugs using antibodies in treatment, requiring the leadership of bio-pharmaceutical corporations capable of providing the needed investment and infrastructure for the development of such drugs. In a bid to gain



Inside the new R&D building of Dong-A Pharmaceutical

an advantageous position in global markets with this trend, Dong-A is collaborating with global partners on R&D activities both at home and abroad. Moreover, we have expanded the scope of our R&D activities to develop innovative new antibody treatments, which are currently underway in accordance with global standards.

**TIMELY DEVELOPMENT OF BLOCKBUSTER IMD THROUGH DRUG DELIVERY SYSTEMS**

Dong-A focuses on the timely development of blockbuster IMDs (Incrementally Modified Drugs) by developing the drug delivery system, where it has been involved for a long time. The company uses its drug delivery system to find alternate means and methods for the utilization of incremental changes to such drugs. In developing a drug delivery system that has successfully conducted clinical trials, we seek to gain an advantage in global markets by developing products that are differentiated from conventional generic products. In practice, the initial launch of the

**R&D INVESTMENT**

(unit: KRW in billions)



first generic of an established drug is often very profitable in the short term, but in today's markets, in which government takes a strict policy on drug prices, and competition has intensified for generic products, the development of original technologies and differentiated spin-offs is critical to ensuring sustainable profitability.

Therefore, we have selected several well-known next-generation brands that are expected to take the lead in global markets in the future and are focusing our efforts towards developing new drug formulations that offer enhanced efficacy of existing therapeutics. Our efforts in this area are enabling Dong-A to become the holder of uniquely specialized technologies that will allow us to compete aggressively in global markets.

**DEVELOPING BLOCKBUSTER OTC PRODUCTS TO BOOST SALES**

Leveraging years of knowledge in the production of consistent sellers such as Bacchus®, Panpyrin®, and Circulan®, our OTC strategy focuses on releasing Big Brand OTCs catered to consumer needs. At the same time, the rigorous clinical testing required to raise the therapeutic efficacy of OTCs is an important contributor in our efforts to solidify an advantageous position in rapidly-changing markets.

**65.5**

**KRW in billion**

Dong-A has been at the forefront of several paradigm changes through consistent investment in R&D and the development of new drugs, setting the standards for the industry in Korea and abroad.



**Building Global Standards in R&D**

Since its foundation, Dong-A has been at the forefront of several paradigm changes through consistent investment in R&D and the development of new drugs, setting the standards for the industry in Korea and abroad. In the future, we plan to expand investment in R&D from our current level of 10% of sales and devote our R&D infrastructure to the development of innovative new drugs that meet global standards.

As creative researchers constitute the core of our R&D expertise, we will continue to invite established scientists and foster the development of talented new researchers. In particular, we plan to increase the number of research staff from 298 persons as of now to 370 persons by 2013, and in addition to extensive joint research projects in collaboration with prominent researchers both domestic and overseas,

we will continue to strengthen our research network with global leading pharmaceutical companies and research institutes.

In terms of hardware upgrades, we have adopted new systems for managing the results of our R&D activities. The new documentation and QA systems will systematically and efficiently control R&D activities companywide, and in conjunction with a new R&D building completed in 2010, will strengthen the company's R&D competences to global standards.



Dong-A has intensified its global marketing through close partnerships with a number of leading pharmaceutical companies overseas.

## Partnership & Leadership

In active response to intense competition in global markets, Dong-A has intensified its global marketing through close partnerships with a number of leading pharmaceutical companies overseas. Such efforts have resulted in the development of long-term relationships with leading pharmaceutical firms. We have also nurtured our growth engines through strategic alliances with major pharmaceutical companies, especially in Japan, the US and Europe.

Dong-A has been in a firm partnership with Trius Therapeutics (US) since Dong-A licensed-out the oral and injectable forms of DA-7218 to Trius in 2007. DA-7218 (TR-701) is a second generation oxazolidinone antibiotic originally developed by Dong-A, which has been serving as the basis of a long-term faithful partnership between Dong-A and Trius.



As for Zydena® (Udenafil), another new drug developed in-house, it is currently under phase III clinical trials in the US by our partner, Warner Chilcott, for the indication of ED, and the trials are expected to be completed in early 2011.

After successful completion of a phase I clinical trial in the US in 2008 and a phase II clinical trial in 2009, Trius initiated phase III clinical trials in 2010 for the oral dosage form of DA-7218 for the treatment of acute bacterial skin and skin structure infections (ABSSSI) caused by gram positive bacteria,

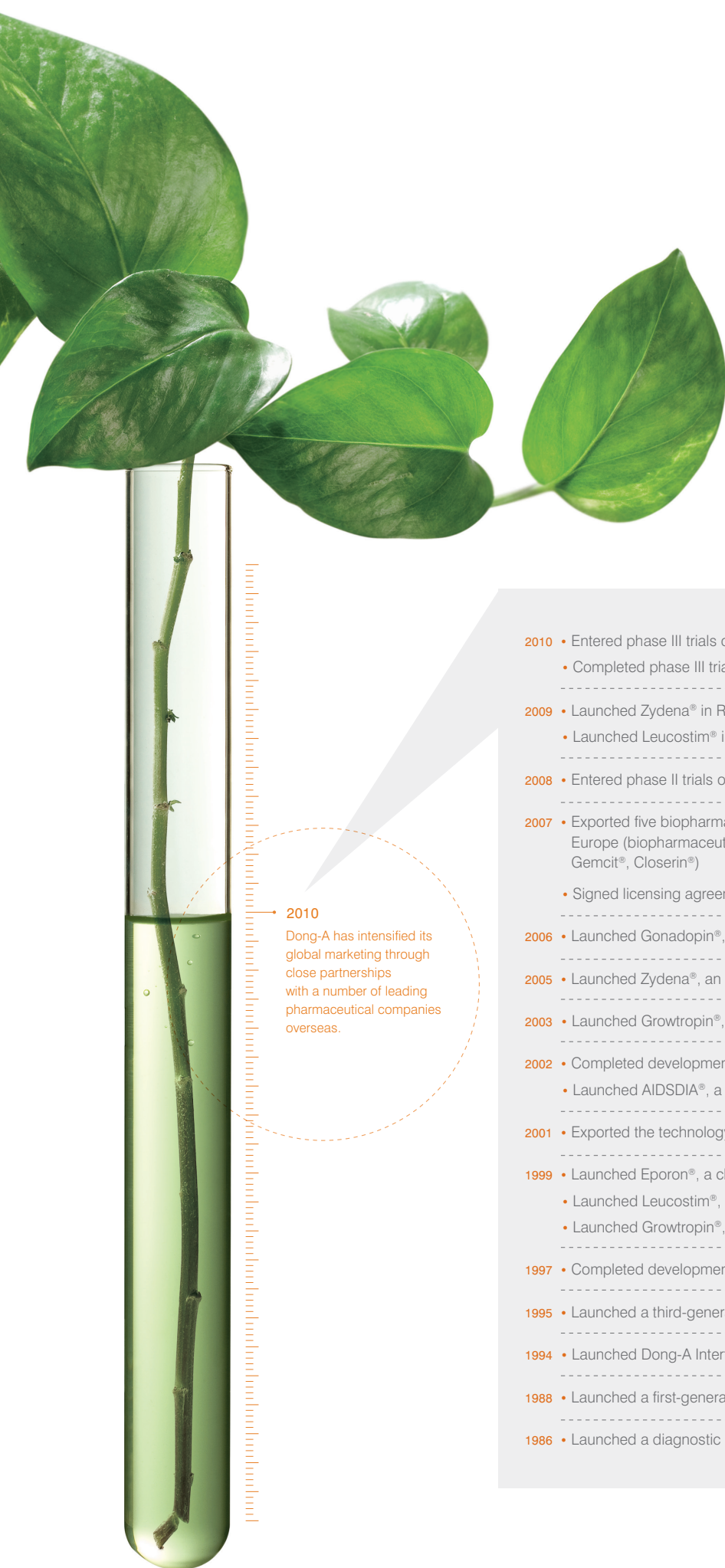
especially MRSA. The pivotal study compares the efficacy and safety of once-daily oral administration of 200mg of DA-7218 over six days of treatment to twice-daily oral administration of 600mg of linezolid (Zyvox) for 10 days of treatment. Compared to DA-7218's competing product, DA-7218 has distinctive advantages including high potency, bactericidal activity, once-daily treatment, shorter treatment period and lower overall treatment cost. With these benefits, Dong-A expects that upon its commercialization, DA-7218 will capture a substantial share of the global target market of DA-7218, which totaled approximately \$1.1 billion in 2010.

As for Zydena® (Udenafil), another new drug developed in-house, it is currently under phase III clinical trials in the US by our partner, Warner Chilcott, for the indication of ED, and the trials are expected to be completed in early 2011. With the trials, we believe the safety and efficacy of Zydena® will be confirmed, and Zydena® will be one-step closer to launch as a global new drug. In addition to the licensing agreement on Zydena®, the licensing agreement in 2010 for BPH indication consolidated the partnership with Warner Chilcott.

To ensure that our advances into global markets are successful, Dong-A will further reinforce its R&D network and strengthen its alliances with leading pharmaceutical companies, while combining our expertise and resources with that of our partners in the research of new and innovative products. Dong-A is also eager to find new partners to contract licensing agreements with for the strategic global development of its innovative R&D pipeline.



## DONG-A'S MAJOR R&D HISTORY



2010

Dong-A has intensified its global marketing through close partnerships with a number of leading pharmaceutical companies overseas.

- 2010 • Entered phase III trials of DA-7218, a super antibiotic in the US  
• Completed phase III trials of DA-9701, a prokinetic agent

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- 2009 • Launched Zyderna® in Russia  
• Launched Leucostim® in Turkey

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- 2008 • Entered phase II trials of DA-8159 for portal hypertension treatment

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- 2007 • Exported five biopharmaceutical and two API products to three countries in Eastern Europe (biopharmaceuticals: Gonadopin®, Growtropin®, Eporon®, Interferon- ; APIs: Gemcit®, Closerin®)  
• Signed licensing agreement for DA-7218 with Trius Therapeutics

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- 2006 • Launched Gonadopin®, an infertility treatment

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- 2005 • Launched Zyderna®, an erectile dysfunction treatment

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- 2003 • Launched Growtropin®, a liquid formulation of human growth hormone

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- 2002 • Completed development of Stillen®, a treatment for acute/chronic gastritis  
• Launched AIDSIA®, a rapid HIV diagnostic reagent

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- 2001 • Exported the technology for Itraconazole®, an anti-fungal agent to Janssen Korea

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- 1999 • Launched Eporon®, a chronic anemia treatment  
• Launched Leucostim®, an anti-cancer supplement  
• Launched Growtropin®, a second-generation human growth hormone

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- 1997 • Completed development of Closerin®, a tuberculosis treatment

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- 1995 • Launched a third-generation diagnostic eagent for hepatitis C

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- 1994 • Launched Dong-A Interferon- $\alpha$ , a multiple myeloma treatment

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- 1988 • Launched a first-generation HIV diagnostic reagent

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- 1986 • Launched a diagnostic reagent for hepatitis B surface antigen and antibody

## R&D PIPELINE

Code Name (Brand Name)	Indication	Description	Latest Phase	Licensing Availability
<b>New Chemical Entity</b>				
DA-8159 (Zydena®)	Erectile Dysfunction	PDE-5 Inhibitor	Launched (Korea) Ph III (USA)	Some Territory Available
DA-8159	Portal Hypertension	PDE-5 Inhibitor	Ph II (Europe)	Some Territory Available
DA-8159	BPH	PDE-5 Inhibitor	Ph II (USA)	Some Territory Available
DA-8159	PAH	PDE-5 inhibitor	Ph II	Some Territory Available
DA-7218	Infection(ABSSSI)	Oxazolidinone Class Antibiotic	Ph III (USA)	
DA-6034	Gastritis, Dry Eye	Flavone Derivative	Ph III Ph II	Available Available
DA-1229	Type 2 Diabetes	DPP-4 Inhibitor	Ph II	Available
DA-8031	Premature Ejaculation	SERT Inhibitor	Ph I	Available
DA-6886	IBS-c	5-HT4 Agonist	Pre-Clinical	Available
<b>Phytomedicine</b>				
DA-9701	Functional Dyspepsia	Herbal Extract	Pre-NDA	Available
DA-9801	Diabetic Neuropathy	Herbal Extract	Ph II	Available
<b>Biopharmaceutical Products</b>				
DA-3801(Gonadopin®)	Infertility	Recombinant FSH	Launched (COH in ART) Ph III (Ovulation Induction)	Some Territory Available
DA-3030	Diabetic Neuropathy	G-CSF	Ph II	Available
DA-3031	Neutropenia	PEGylated-G-CSF	Ph II	Available
DA-3051	Multiple Sclerosis	Interferon- $\beta$	Ph I (Brazil)	Available
DA-3091	Type 2 Diabetes	Long-acting Exenatide	Ph I	Available
DA-3607	Brain Tumor	TRAIL	Ph I	Available
DA-3803	Infertility	Recombinant hCG	Ph I	Available
DA-3111	Breast Cancer	Trastuzumab Biosimilar	Pre-Clinical	
DA-3808	Hemophilia A	Factor VIII Biosimilar	Pre-Clinical	Available
DA-3811	Gaucher Disease	Analogue of $\beta$ -Glucocerebrosidase	Pre-Clinical	Available
DA-3880	Anemia of Chronic Renal Failure	Glyco-Engineered Darbepoetin $\alpha$	Pre-Clinical	Available

## PIPELINE ITEM DESCRIPTIONS

### [DA-8159; Udenafil; Zydene®]

Dong-A launched Udenafil in December of 2005 as the fourth oral entrant in the ED market in Korea and successfully completed a phase II trial in the USA. On completion of the successful US phase II trial and a positive EOP II meeting with the US FDA, in early 2009 Dong-A sealed a licensing agreement with Warner -Chilcott for ED indication for the US territory. Currently, Warner -Chilcott is actively conducting pivotal phase III trials in the USA. Udenafil also shows great potential for the treatment of non-ED (non-erectile dysfunction) indications such as BPH (benign prostatic hyperplasia), PAH (pulmonary arterial hypertension), PH (portal hypertension), etc. For the indication of PH, Dong-A has been already in partnership with an EU-based licensee, who initiated phase II trials with Udenafil in the UK, Germany and other EU countries in early 2008. In 2010, an additional licensing agreement with Warner -Chilcott for BPH indication was made for North America. Dong-A itself is also scheduled to conduct a phase II study in Korea for the indication of PAH in 2011.

### [DA-1229]

DA-1229 is a potential anti-diabetic compound of the dipeptidyl peptidase-4 (DPP-4) inhibitor class. In the pre-clinical studies, the PK-PD correlations between DPP-4 inhibition of DA-1229 and its corresponding plasma concentrations were analyzed in several animal models, in comparison with a product of the same class currently on the market. DA-1229 showed better profiles of EC80, a clinically effective concentration at which 80% of plasma DPP-4 is inhibited, over the comparator in mice, rats, dogs and monkeys. The recently completed phase I study for DA-1229 confirmed a favorable PK-PD profile of DA-1229 in human, and Dong-A is now conducting a phase II study.

### [DA-6034 : Dry Eye]

DA-6034, a derivative of eupatillin, is under development for the treatment of dry eye syndrome. Chronic dry eye syndrome is a condition characterized by a patient's inability to produce an appropriate amount and quality of tears to keep the eye healthy and comfortable. The absence of efficient prescripational treatments for dry eye leads the majority of dry eye patients to rely on OTC artificial tear products which temporarily lubricate eyes and provide only limited relief. With an excellent safety profile, DA-6034, which stimulates mucin secretion, increases fluid secretion, controls inflammation and enhances the healing of wounds, is expected to be an excellent prescripational drug for dry eye. A phase I study for DA-6034 was completed in Korea in 2010 and Dong-A will initiate a phase II study in early 2011.

### [DA-3031]

Dong-A developed and launched a rhG-CSF product named Leucostim® in 1999 for the treatment of anti-cancer-induced neutropenia. To avoid the inconvenience of daily injection during each chemotherapy cycle, Dong-A is developing a long-acting PEG-G-CSF (DA-3031) that can be administered only one time per cycle. In animal studies, DA-3031 showed comparable efficacy and safety to its competitor on the market, whose annual worldwide sales are approximately \$3.7 billion. A phase I trial for DA-3031 was completed in 2009 and a phase II trial is on-going in patients with solid cancer in Korea.

### [DA-3091]

DA-3091 is the extended release microspheres encapsulating Exenatide, and it shows well-controlled extended release of Exenatide from the microspheres. Compared to other long-acting GLP-1 agonists for once weekly treatment, DA-3091 shows potential to be developed as a bi-weekly or monthly preparation, which will improve patients' compliance upon commercialization. To assess the pharmacokinetics/pharmacodynamics and safety of DA-3091 in human, a phase I clinical trial is on-going in Korea.

## STRATEGIC ALLIANCES

The year 2010 was a year fraught with significance for the company as Dong-A entered into partnerships with several global leading pharmaceutical companies as a means to expedite its overseas growth.

### STRATEGIC ALLIANCE WITH GSK

The most conspicuous example of Dong-A's connection with a major player in the industry is its strategic alliance with GlaxoSmithKline (GSK). With GSK acquiring a 9.9% minority equity stake in Dong-A at a cost of KRW 142.9 billion, this collaboration is expected to enable both companies to strengthen their respective commercial positions in the Korean market, while bringing greater benefits to patients through increased accessibility to a wider range of products. A separate section of this report outlines the details of this partnership.

Going forward, we continue to seek more international collaboration and global expansion.

### LICENSING AGREEMENT WITH MEDIPOST

Dong-A also concluded a licensing agreement with Medipost for the rights to domestic sales of Cartistem, an articular cartilage restoration stem cell therapeutics. Under the agreement, Medipost, based in Korea, granted Dong-A the exclusive rights to domestic sales of the product. The two companies will work in

conjunction to conduct clinical trials to extract additional indications. In the agreement, Dong-A has agreed to pay an up-front fee, additional milestone payments and running royalties.

Cartistem is a cellular therapeutic agent for the treatment of degenerative arthritis and cartilage injuries to the knee. Manufactured through the culturing of mesenchymal stem cells from blood extracted from human umbilical cord stem cells, Cartistem is differentiated from other stem cell therapeutics in its potential for mass-production and efficacy in regular treatment programs. Almost ten years of research will come to a conclusion with the completion of phase III clinical trials expected at the time of the release of this report, with printing, application for approval and roll-out planned for 2011. Coupled with Dong-A's strengths in drug development and extensive domestic network, this agreement is expected to create new, dynamic synergies that will benefit both companies.



### ACQUISITION OF SAMCHULLY - SECURING A STABLE SUPPLY OF APIS

On the domestic front, Dong-A successfully concluded the acquisition of Samchully, a Korean supplier of ingredients for drugs. Following the completion of a share transfer agreement, the newly acquired company was renamed ST Pharm. The name, "ST Pharm" is a combination of the first letters of "Science" and "Technology," which were chosen to highlight our intention to make the new firm a cutting-edge bio-pharmaceutical manufacturer. To this end, the new subsidiary has set a vision of "becoming a trusted global partner by providing high quality active pharmaceutical ingredients (APIs)," and seeks to attain this goal by leveraging its solid partnerships with the global top five pharmaceutical manufacturers. This acquisition is expected to produce great synergies in the areas of production and the overseas business of the company as it will be able to secure more reliable supplies of ingredients for the manufacture of drugs while increasing Dong-A's exports through ST Pharm's cGMP-level plant and expertise in validation. In addition, these benefits will bring us one step closer to our target of KRW 1 trillion in sales. The acquisition also brings with it ST Pharm's specialty drugs, including Zidovudine, an AIDS



ST Pharm Plant

Consequently, Dong-A has sought out partners in key markets where local expertise can greatly enhance the success of a new entrant in local markets, particularly in Japan, the US and Europe. The year 2010 will be a year fraught with significance for the company as Dong-A entered into partnerships with several global leading pharmaceutical companies as a means to expedite its overseas growth.

drug, and a variety of ingredients for drugs, which have been approved by the US FDA as well as the drug safety authorities of other advanced countries.

To ensure that our advance into global markets proceeds more efficiently, Dong-A will upgrade its R&D network and develop relationships with leading pharmaceutical firms and research organizations. In a world of limitless competition, Dong-A sees unlimited opportunities to strengthen its position in global markets by serving more people through carefully-managed international partnerships.



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# GSK

## JOINING HANDS WITH GSK, DONG-A ENVISIONS A HEALTHIER WORLD

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Dong-A Pharmaceutical Headquarters

### 01. TAPPING INTO THE PROFOUND EXPERTISE OF GLOBAL STANDARDS

Dong-A had a monumental year in 2010. In line with its global strategy, the company entered into a strategic alliance with GlaxoSmithKline (GSK)—one of the world's leading research-based pharmaceutical and healthcare companies—in May 2010 for commercial collaboration in the Korean market. Dong-A and GSK agreed to

collaborate so as to maximize synergies in terms of products, capabilities, strategies and cultural fit. With this partnership, Dong-A will be able to offer its patients the greater benefits of a wider range of products through GSK's extensive product line-up and extended global sales network.



The executives of Dong-A and GSK met at the headquarters of GSK in U.K. in June 2010 to discuss the follow-ups of the partnership.

## 02. EXPANDING INTO A NEW MARKET

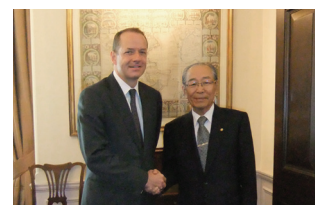
The initial focus of the collaboration will be on a comprehensive series of local co-promotion of GSK's ethical drugs already marketed and those currently in clinic market in Korea—the world's 13th largest pharmaceutical market (as of 2008), a market that saw impressive growth of 13.9% CAGR from 2006 to 2008. To more effectively manage the collaboration, a new business unit has been created within Dong-A, which will take proactive steps to best capture the increased synergies of the tie-up between the two companies. Such synergies are expected from other potential partnerships on Dong-A NCEs that leverage GSK's global commercial infrastructure and expertise, from the co-development of branded generics and additional business development collaborations in other areas.

## 03. HARNESSING THE SYNERGIES OF ALLIANCE

The combination of GSK's globally recognized medicines and our domestic sales network is expected to generate strong synergies, the results of an excellent win-win alliance. The collaboration is also expected to improve Dong-A's competitiveness in the rapidly changing domestic and global pharmaceutical markets. It will also enable the company to accelerate its transformation into a true global player by taking advantage of GSK's excellent product pipeline as well as the global leader's extensive global marketing, operational expertise and high standards of quality."

# 9.9% Share

As part of the alliance, GSK is investing KRW 142.9 billion to acquire a 9.9% share of Dong-A.



Dong-A Chairman Shin-Ho Kang and GSK CEO Andrew Witty shake hands after signing the agreement.

**OPEN. \_\_\_\_\_ THE DOOR TO. \_\_\_\_\_**



**A HEALTHIER SOCIETY.**

All of us at Dong-A are dedicated to building a healthier society for humanity. This philosophy encompasses the health and well-being of humankind as a whole as well as the environment and the economy. Committed to building a healthier society for all, we collaborate on win-win partnerships firmly grounded on mutual trust.

## We promise a greater tomorrow

Dong-A understands that our industry invites critical appraisals from diverse groups concerned with bioethics, animal welfare, fair trade and other issues related to corporate conduct. We have rigorous guidelines in place, and believe that we are making substantial progress toward meeting international standards in all ESG areas - environmental, social and governance.

### HUMAN CAPITAL

Dong-A boasts one of the highest employee retention rates in Korea's pharmaceutical sector, a statistic that points to the overall success of the company's HR development policies. Our skills training and career development programs recognize that highly educated and motivated people are the foundation of Dong-A's profitability. Just as it can take a decade to fully develop a new drug, it can also take many years to nurture a bio-pharmaceutical industry professional; in both cases, we consider the investment to be well worth it.



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Pharmaceutical companies face a wide array of ESG (environmental, social & governance) risks that must be carefully managed. At Dong-A, we believe that we can reap significant reputational and economic gains by continually earning the public's trust.



Our plants are equipped with state-of-the-art monitoring equipment to measure potential exposure to hazardous materials. More important, all staff are fully trained in safety procedures and drilled regularly on a full range of trouble-shooting scenarios.

Dong-A is currently in a multi-year process to integrate health & safety management into our general business strategy, and in keeping with our broad commitment to transparency, we issue regular reports on the company's safety record.



### ENVIRONMENTAL MANAGEMENT

Air, water and ground contamination, energy efficiency, greenhouse gases, and environmental toxins are some of the key environmental issues that our operations touch upon. The first line of defense is a strong institutional commitment to environmental protection, coupled with a strict self-monitoring program based on clear goals and targets. Everyone at Dong-A has received—and continues to receive—training that enables them to be proactive and take the initiative in matters of conservation.

One area where Dong-A has made particular progress is in reducing the environmental impact of our products. Pharmaceuticals become a severe environmental pollutant when discharged half-metabolized from human system. Over the years, our company has made a steady shift toward herb-based and other ETC-type drugs that have little or no environmental impact compared with synthetic drugs.

# Sustainable Overview



DONG-A IS COMMITTED TO BECOMING A GOOD COMPANY THROUGH PROACTIVE DIALOGUE AND HARMONIOUS GROWTH WITH OUR STAKEHOLDERS. YOUR VALUABLE OPINIONS ARE SHAPING DONG-A'S TOMORROW.

Pharmaceutical companies face a wide array of ESG (environmental, social & governance) risks that must be carefully managed.



Dong-A Pharmaceutical R&D Center

Dong-A has established an executive committee to oversee the creation of an enterprise-wide strategy for reducing the company's overall waste production, environmental impact and accident rate. The committee will set standards and monitor progress, and take charge of issuing reports to stakeholders so that they can understand and participate in the process of making Dong-A into a truly earth-friendly company.

#### STAKEHOLDER CAPITAL REGULATORY

In business, a sterling reputation is the most difficult thing to establish and the easiest thing to lose. In this era of lightspeed communication, any incidence of impropriety has the immediate effect of eroding faith in management and creating distrust among the public, who are the ultimate consumers of our products. This is why Dong-A has taken such care to develop and enforce its own internal code of conduct, and ensure that each employee is fully aware of the standards of personal and corporate behavior that we expect of ourselves.

#### OPENING OF THE NEW 'GREEN' R&D BUILDING

Dong-A celebrated the opening of its massive new Research Center in 2010. It has been designed by HDR CUH2A of the US, a company with a wealth of experience in the design of green research and education facilities. Our instructions to the planners

were to create a model plant that employs the latest in green technology to minimize the total environmental impact of the Center. Some of the design highlights include:

- Maximum use of natural lighting
- Exterior energy-reflecting cladding to minimize power consumption for cooling in the summertime
- White bituminous roofing material to maximize solar energy reflection
- Interior finishes selected to minimize emission of airborne contaminants
- High performance fume hoods installed in laboratory areas to reduce flow through by 20%
- 'Sick Building' syndrome mitigated by using 100% outside air for feeding to the main air supply system
- Heat wheels built to improve energy efficiency.

Dong-A works hard to be a responsible steward of our shareholders' investments. We always endeavor to create value by carefully managing costs and improving productivity, and we demonstrate respect for shareholders' rights by providing them with complete and timely information about our finances and operations.

## STAKEHOLDERS ENGAGEMENT

### MORE DIALOGUE WITH STAKEHOLDERS

Dong-A carries out various Investor Relations (IR) activities to ensure a fair and open exchange of information between the company's management, its investors and the markets. These activities include an appropriate mix of seminars, face-to-face meetings, industry conferences, NDRs and conference calls. Corporate seminars are held whenever necessary to provide institutional investors with up-to-date information on our performance. We also make on-site visits to about eight institutional shareholders each quarter following the release of quarterly results, and host as many as 150 meetings per year with large investors and potential investors.

Dong-A makes it a rule to hold a domestic NDR (non-deal roadshow) at least once each quarter. Internationally, we hold at least two each year in Asia and two in Europe or the US. Major shareholders, CEOs and CFOs and securities analysts are also invited to information seminars at least semiannually.

Our corporate website ([www.dongapharm.com](http://www.dongapharm.com)) is updated with quarterly results, analyst reports, annual reports, IR presentations and other required disclosures. We also provide regular updates on matters relating to R&D, operations and a wealth of other relevant information, and the feedback from Dong-A's investors regarding our level of information-

sharing has been very positive. Our commitment to transparency is permanent, and we aim to be recognized as a market leader not only for the quality of our products, but also for the accountability and openness of our management.



As a company that exists to serve the well-being of the people around us, our aspirations must extend higher than just financial performance. As an iconic company in Korea's industrial landscape, we are serious about acting as a responsible citizen.

### < MAJOR IR ACTIVITIES IN 2010 >

- Earnings Release Seminars (quarterly)
- R&D seminar (at the Bio Forum by Hana Daetoo Securities)
- Investment Conference by Securities Firms (Samsung Securities, Merrill Lynch, Daeshin Securities (Hong Kong), Woori Investment Securities (Singapore))
- Domestic NDR (quarterly) to Dongbu Securities, Torrus Securities, Hanhwa Securities, Kium Securities
- Overseas NDR (semi-annual) to Shinhan Financial Group (NY, London), RBS (London, Boston, NY)
- Analyst tour (occasionally)



## ETHICAL MANAGEMENT

### RESPECTING INTEGRITY AND RESPONSIBILITY

Dong-A has set forth guidelines for corporate governance based on the company's corporate values and leadership principles. These guidelines aim to ensure that the company is managed in an ethical manner, that it maintains a responsible financial structure, and that it operates transparently. These guidelines extend to the functioning of the Board of Directors, its committees and subcommittees, and to the company's highest levels of management.

With respect to Dong-A's IR activities, the overarching goal is the timely delivery of clear and complete information, so that the company's true value may be reflected in its share price. Our strategy is to invest wisely yet aggressively in R&D projects and to maintain a robust pipeline of high-value drug candidates. We believe that this strategy, implemented with rigorous risk surveillance, is appropriate for delivering the greatest long-term value for our shareholders. Dong-A does not impose limits on the transfer or consignment of shares, and while the company has issued two classes of shares, it adheres to the principle of one share-one vote.

As we continue the steady progress toward our goal of becoming a major player in the global pharmaceutical industry, we can look back at 2010 as a year in which the fundamentals of ethical management and responsible corporate behavior were solidified in our company's culture. We look forward to many more years of working closely with all our stakeholders in an atmosphere of mutual trust and respect.



In all our dealings with the investment community, we put the investors' need for transparent and timely disclosure above all else. We welcome every inquiry and criticism, and try in earnest to ensure that our actions meet the standards set by our words.



In proactive response to this, We will continue to upgrade  
our risk management system.



#### < ACTIVITIES TO PRACTICE SUSTAINABLE MANAGEMENT >

##### • Launch of Compliance Program (CP)

Dong-A is fully aware that its true customers are the patients, not the doctors. We fully support the initiatives launched by the Korean government and its regulatory bodies to improve oversight and root out inappropriate transactions. Moreover, Dong-A implemented its own in-house compliance program (CP) in 2008, under which all employees and executives receive education in proper sales methods, self-monitoring and fair competition.

It is our hope that Dong-A's compliance program will become a model for other CPs in the pharmaceutical field, and that a culture of compliance will take hold throughout the industry. We look forward to competing openly and fairly on a level playing field, and hope that Dong-A will be recognized worldwide for its commitment to ethical management.

##### • Transparency in Novel Drug Development

Dong-A has opened up its novel drug development processes to public scrutiny. By displaying transparency with the very core of our future growth potential, we are demonstrating our commitment to fair management and earning investors' trust. Dong-A has the domestic industry's largest drug pipeline, and we allow the public to follow the progress and process of our R&D, touting our confidence in our technologies and capabilities.



As we continue the steady progress toward our goal of becoming a major player in the global pharmaceutical industry, we can look back at 2010 as a year in which the fundamentals of ethical management and responsible corporate behavior were solidified in our company's culture.

This approach improves the company's public image and establishes Dong-A as a company that is devoted to the protection of life and service to humankind.

##### • Disclosure of BOD Operations and Financial Information

Dong-A uses its Korean and English-language websites to continually update information related to our share price, BOD changes, financial results and governance information. We firmly believe that tangible demonstrations of our commitment to strong governance and transparency will pay off in terms of higher corporate value and the attracting of long-term, stable investors.

##### • Model Code of Ethics

Dong-A has complied with a detailed code of ethics that addresses the needs of all our stakeholders, covering our internal and external dealings with shareholders, customers, competitors, business partners and employees. These guidelines will propel Dong-A forward in our quest to achieve sustainable growth and long-term stability as a model company.

## HUMAN RESOURCES



Dong-A's human resources development policy focuses on inviting talented individuals imbued with passion, creativity and a spirit of enterprise to join us and then providing all the support necessary for them to realize their full potential. Dong-A's HRD policies aim at nurturing global leaders, in keeping with our belief that 'our people are the company.'

### PEOPLE UNLOCKING POTENTIAL

We aim to be "a company that respects people and human rights." In line with this, Dong-A's HR policies seek to cultivate global leaders capable of leading the company through change and competition while providing outreach to the marginalized in society. We seek leaders who can build the company while helping to make a better society for all.

To this end, Dong-A recently revamped its HR system to support its employees in their self-development activities so as to cultivate flexible and creative ways of thinking.

Our HR policy takes a long-term view of new employees, looking for those exhibiting greater potential and advanced capabilities above mere qualifications. We have created a database containing a listing of the special competences of individual employees, which enable management to place the right people in the right places in the organization. We have also sought to expand and diversify the number of potential candidates through partnerships and special relationships with prominent Korean universities.

Our HR policy takes a long-term view of new employees, looking for those exhibiting greater potential and advanced capabilities above mere qualifications.



Dong-A is well-known for its commitment to education, having established a professional training institute, a first by a Korean pharmaceutical company, as far back as the early 1970s. Since then, the HRD Center has continued to develop and offer advanced programs customized to fit the particular requirements and needs of an individual's position in the company.

The educational programs of the HRD Center are classified into three categories: company training, customized job training and self-directed learning. The company training programs focus on cultivating in our employees the competences and core values required to attain Dong-A's Vision 2012 through classes at the institute and e-learning courses. The customized job training programs are based on the requirements of particular job classifications or levels and are tailored to meet individual needs in each department. This type of training is offered through courses at the institute or is outsourced. The self-directed learning programs include career development programs aimed at reinforcing individual competences. Such training is offered through e-learning programs or reading sessions tailored to individual needs.

In 2011, as part of our initiatives to reinforce such competences as foreign language acquisition, we are adopting new programs and offer programs for informal learning. In addition, the mentoring and smart-learning programs aim to integrate training into an individual's work processes so as to reduce the barriers between work and training. Two classes of new employees graduate from the HRD Center every year. During the first half of 2011, the Center's 4–6 week program for the training of new employees will be the 100th class offered by the institute. These classes seek to cultivate creativity, teamwork and a spirit of volunteerism.



Dong-A's unique corporate culture, in which individuals are selected based on merit, emphasizes mutual respect between individuals and the responsibility of team members to work efficiently and effectively.



#### CULTURE OF POSSIBILITIES AND OPPORTUNITIES

With public recruitment accounting for 95% of the company's total merit payroll, the average number of years of service by Dong-A employees stands at 9.3 years, far in excess of the industry average of 6.2 years. This figure testifies to the loyalty of the company's workforce and the quality of its corporate culture. The synergies created by the company's industry-leading competences and advanced corporate culture resulted in Dong-A's nomination as one of the "40 Best Korean Companies to Work For" in 2008, as noted in a book of the same title published by the Dong-A Ilbo, not affiliated with the company, one of Korea's major daily newspapers.

Dong-A's unique corporate culture, in which individuals are selected based on merit, emphasizes mutual respect between individuals and the responsibility of team members to work efficiently and effectively. Our culture constitutes one of the company's most valuable assets and is the driving force behind the company's success and growth as it reaches into broader markets of boundless opportunities.

## SOCIAL RESPONSIBILITY

A company can thrive in a well-off and healthy society. When a company gives back to society, profitability actually increases, and because of this, Dong-A seeks to give back in a number of ways, whether monetarily or through community programs that aims to create a happier and more prosperous society in the future.

### SUSTAINING BUSINESS, SUSTAINING COMMUNITIES

As a leading pharmaceutical company committed to the health and well-being of humanity, Dong-A actively engages in social contribution programs to give back to society, and to build mutual respect and trust with communities. In addition to such company-wide drives as efforts to proactively address social issues and provide financial aid to the needy, our employees volunteer for various programs aimed at helping the underprivileged.

Dong-A's community engagement programs span different sectors, ranging from education and culture to academic circles. The company operates Sangju High School in Sangju City in North Gyeongsang Province, Korea. Dong-A also established the Suseok Cultural Foundation to foster the development of model citizenship,

and sponsors the Hamchun Medical Science Award, the Excellence in Pharmacy Award, the Marronier Women's Composition Contest, and etc.

In recognition of its commitment to corporate social responsibility, Dong-A was awarded a special prize at the 2010 Corporate Social Responsibility Awards organized by the Korea Economic Daily.

Inspiring people with the spirit of community, Dong-A devotes extensive resources as a way of contributing to society and of extending a helping hand to every corner of society, wherever a need arises. Dedicated to building a happier and more prosperous society, in which humanity and life are respected and protected, Dong-A spares neither effort nor resources.



Dong-A actively engages in social contribution programs to give back to society, and to build mutual respect and trust with communities.



## 2010 CSR Highlights



### VOLUNTEERISM

Dong-A and its employees work together to help local communities in need. For example, we regularly serve free meals for the homeless at the Dail Community NGO's soup kitchen every year. New employees also volunteer to visit and help out at Hyangrimwon, a charity for physically-challenged children. We also support a foreign workers' hospital in Garibong-dong, a volunteer medical service corps, people living in Jjokbangchon a slum near Namdaemun, Seoul. These programs are all directed toward helping the underprivileged in our communities.



### ACADEMIC SUPPORT

#### Hamchun Medical Science Award :

Every year since 1969, Dong-A and the Korean Medical Association (KMA) have presented this award to medical researchers demonstrating excellence in research and publication in the areas of human welfare and the advancement of the medical profession. Originally the "Dong-A Medical Culture Award," the award was renamed the "Dong-A Medical Science Award" and from 2009, is now known as the "Hamchun Medical Science Award" It boasts a prestigious forty-year history and tradition, and is now co-sponsored by Dong-A and the Suseok Cultural Foundation.



#### Excellence in Pharmacy Award :

Co-organized by Dong-A and the Korean Pharmaceutical Association (KPA) since 1973, the award honors the contributions of pharmacists to improving public health. Also co-sponsored by Dong-A and the Suseok Cultural Foundation, the award presents prizes in five categories—clinical pharmacy, KPA development, exemplary service, pharmaceutical research and social contributions—every year on the anniversary of the foundation of the KPA.

Dong-A offers a number of scholarships to help future generations develop into model citizens and responsible global leaders.



### SCHOLARSHIPS

#### Sangju Academy:

Dong-A has served as the foundation for Sangju Academy in Sangju City in North Gyeongsang Province since 1964. In addition, Dong-A offers several scholarship programs, which aim to cultivate the development of talented individuals.



#### The Suseok Cultural Foundation Scholarship:

Dong-A offers a number of scholarships to help future generations develop into model citizens and responsible global leaders. Marking its 60th anniversary in 1992, Dong-A revamped the old Suseok Scholarship Association and renamed it the Suseok Cultural Foundation. The mission of the foundation is to act as role models and to support students achieving academic excellence as recommended by school principals. Since its establishment in 1987, the number of beneficiaries of the program now totals 1,462 students from middle schools and high schools as well as universities across the nation.



### MECENAT PROGRAMS

#### Environment-Friendly and Life-Friendly Classes for Youth:

Dong-A hosts this program as part of a five day, four night back-to-nature experience offered to 50 middle school students, who learn about ecology and conservation, as well as how to have respect for nature and how to modify their behavior to protect the environment. In 2010, the program was held in the Seongjubong Natural Forests in Sangju City in North Gyeongsang Province as well as various experience events under the theme of environmental protection.



#### Bacchus® Cup Junior Golf Championship:

Dong-A has held the contest since 2005 in promotion of Korea's rising status as home to many of the world's top golfers. The tournament provides aspiring young amateur golfers with opportunities to test their skills and pursue careers as professional golfers.



#### Tour Korea with Bacchus® for College Students:

Since 1998, the “Tour Korea with Bacchus®” walkathon has grown to represent the spirit of Korea, which captures the adventurous spirit and passion of youth. The youthful participants devote 21 days and 20 nights to a 600 km-walk from one end of Korea to the other. Along the way, they attend special lectures on Korean traditional culture and participate in local events such as “Walk Next to Your Parent.” As the walkathon has gained a high profile over time, the competition for participation has grown more intense every year, with over 20,000 applying every year. The aim of the program is to imbue in participants a sense of confidence in their own ability to overcome challenges and hardships.



#### Marronnier Women’s Composition Contest:

Dedicated to promoting creative writing and supporting female writers, Dong-A hosts the contest every October at Marronnier Park in Dongsung-dong, Seoul. Open to professional female writers over the age of 23, the competition offers prizes in the categories of poetry, prose and children’s literature. The Grand Prize winners are recommended for publication in an Arts & Culture journal. Marking its 28th anniversary in 2010, the competition is one of a handful of offline contests in an age when online platforms have become the norm. The contest is also held in high regard as a valuable contribution to Mecenat philanthropy.



#### Bacchus® Cup Chunwon (Center Point) Title/Bacchus® Cup Korea-China Chunwon Title:

In commemoration of Dong-A’s 50th anniversary, Dong-A initiated the “Bacchus® Cup Professional Baduk Competition” in June, 1983 for the development of the baduk game industry and culture. As the first baduk championship sponsored by a company, the tournament has garnered warm responses and the support of baduk fans through its 12th year in existence. In 1996, the competition was renamed the “Bacchus® Cup Chunwon (Center Point) Title.” In addition, the “Bacchus® Cup Korea-China Chunwon Title” was inaugurated, in which the top baduk players from Korea and China are invited each year. The competition is held in either of the two countries in alternate years. The tournament proved to be an enormous success in raising the profile of Bacchus® in China, where baduk is a popular game.



#### Garglin® Cup Professional Women’s Baduk Championship:

With the aim of igniting the interest of females in baduk while promoting Dong-A’s signature Garglin® brand, Dong-A resurrected the previously discontinued baduk championship, the “Professional Women’s Kusu Title,” which ran for seven years from 2000.



# 2010 FINANCIAL REVIEW

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Management's Discussion & Analysis

Independent Auditors' Report

Non-consolidated Statements of Financial Position

Non-consolidated Statements of Income

Non-consolidated Statements of Appropriation of Retained Earnings

Non-consolidated Statements of Changes in Equity

Non-consolidated Statements of Cash Flows

Notes to Non-consolidated Financial Statements

Internal Accounting Control System Review Report

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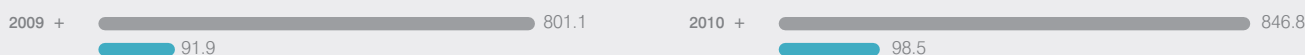
## MANAGEMENT'S DISCUSSION & ANALYSIS

The financial information and related discussion is presented on a non-consolidated basis and has been classified in accordance with accounting principles generally accepted in Korea (Korean GAAP). The section also contains forward-looking statements with respect to financial condition, results of operations, and business of Dong-A, as well as the plans and objectives of the management of Dong-A. Statements that are not historical facts, including statements involving known and unknown risks, uncertainties, and other factors which may affect the actual results or performance of Dong-A may be materially different from any future results or performance expressed or implied by such forward-looking statements. Dong-A. does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this section, and nothing contained herein is, or shall be relied upon, as a promise, whether as to the past or future. Such forward-looking statements were based on current plans, estimates, and projections of Dong-A, and the political and economic environment in which Dong-A will operate in the future, and therefore undue reliance should not be placed on them. Forward-looking statements speak only to conditions as of the date they are made, and Dong-A undertakes no obligation to update publicly any of them in light of new information or future events. The term "the company" used here without any other qualifying description will refer to "Dong-A".

### 1. Overview

Amid an adverse business environment brought about by toughening regulations on both price and conventional marketing activities in the pharmaceutical industry, Dong-A was able to sustain its No.1 position in the market thanks to strong sales of Bacchus<sup>®</sup> and ETC(ethical). Specifically, the company's sales for 2010 rose 5.7% from KRW 801.1 billion in 2009 to KRW 846.8 billion. Operating profit and net income for the year edged up by 7.2% and 11.3%, to KRW 98.5 billion and KRW 70.4 billion, respectively.

Sales & Operating Income | Sales ●, Operating Income ● | (unit : KRW in billions)

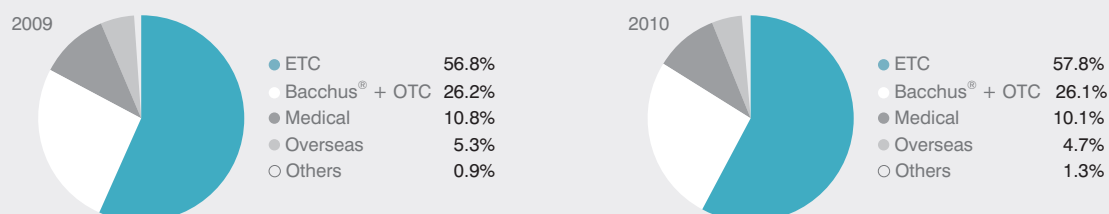


The main drive behind this sales growth was the company's ethical (ETC) drug segment, which accounted for the lion's share, or 56.8%, of the company's overall sales. ETC sales rose 3.9% to KRW 481.3 billion, while OTC sales grew 6.0% to reach KRW 221.7 billion and medical sales increased 12.5% year-on-year to KRW 91.3 billion. Booming exports resulted in a remarkable 20.3% growth, rising to KRW 44.9 billion, thanks mainly to growing exports to India.

(unit : KRW in billions)

Category		2009	2010	Change
ETC	General Hospital	227.5	235.5	3.5%
	Clinic	235.6	245.7	4.3%
	Subtotal	463.1	481.3	3.9%
Bacchus <sup>®</sup> +OTC	Bacchus <sup>®</sup>	116.5	128.3	10.1%
	OTC	93.2	93.4	0.2%
Medical	Subtotal	209.7	221.7	5.7%
	Diagnostic	41.4	45.3	9.4%
	Medical Equipment	39.7	46.0	15.8%
	Subtotal	81.1	91.3	12.5%
Overseas		37.3	44.9	20.3%
Others		9.8	7.7	-21.5%
Total		801.1	846.8	5.7%

Sales Breakdown (unit : %)



## ETC Segment

By distribution channel, the general hospital sales grew 3.5% year on year to KRW 235.5 billion, while the clinic channel expanded 4.3% to reach KRW 245.7 billion. Both channels were significantly smothered by the toughen regulation on marketing practices in the Korean pharmaceutical industry.

### By Therapeutic Area

#### Cardiovascular

Sporting a diverse product line-up that includes Lipinon<sup>®</sup>, Plavitor<sup>®</sup>, Cozartan<sup>®</sup> and Orodipine<sup>®</sup>, the cardiovascular line-up led the sales growth of the ETC segment. Plavitor<sup>®</sup> continued its growth in tandem with the expansion of the Korean peripheral artery market. This growth trend seems to be here to stay, with competitors having yet to launch new products in this area. In particular, Cozartan<sup>®</sup> and Lipinon<sup>®</sup> each enjoyed more than a 30% growth year-on-year, with this success expected to continue and leading the growth of the ETC drug market. Meanwhile, sales of Opalmon<sup>®</sup> are expected to decline due to a 20% price cut following the launch of generic drugs in the fourth quarter of 2010. However, decreased import costs of ingredients are expected to offset this price cut, helping to balance out overall profitability.

(unit : KRW in billions)

Category	2009	2010	Change	Indication
Opalmon <sup>®</sup>	40.6	44.3	9.2%	Anti thrombotic Agent
Plavitor <sup>®</sup>	39.7	43.6	9.8%	Peripheral Artery
Lipinon <sup>®</sup>	30.9	40.9	32.1%	Hyperlipidemia
Orodipine <sup>®</sup>	28.2	28.9	2.3%	Hypertension - CCB
Cozartan <sup>®</sup>	13.6	18.0	33.1%	Hypertension - ARB
Vasotrol <sup>®</sup>	4.3	4.6	7.3%	Hypertension - $\beta$ Blocker
Tanatriil <sup>®</sup>	4.7	4.5	-5.8%	Hypertension - ACE
Cholesnone <sup>®</sup>	4.9	3.9	-20.5%	Hyperlipidemia
Prostandin <sup>®</sup>	2.9	3.1	7.1%	Artery Occlusion
Perdipine <sup>®</sup>	2.9	2.9	0.5%	Hypertension - CCB

In the hypertension drug market, which is one of the most promising and rapidly evolving markets due to the current aging society, Dong-A has achieved a significant market presence thanks to its strong product line-up and timely introduction of improved products that perfectly fit customers' needs. One such product is, Vasotrol<sup>®</sup>, a beta blocker, which filled a niche market created by patients with heart failure and angina pectoris. In early calcium channel blocker (CCB) area, Dong-A first introduced Perdipine<sup>®</sup> followed by Orodipine<sup>®</sup>, an enhanced version of CCB, in a bid to sustain its market dominance and profitability. In early angiotensin converting enzyme-inhibitor (ACE) area, Dong-A made significant progress with Tanatriil<sup>®</sup>, followed by Cozartan<sup>®</sup>, an Angiotensin II Receptor Blocker (ARB) product or enhanced ACE products, which posted 33% year on year growth in 2010. Furthermore, the Company is also preparing to launch a fixed dose combination (FDC) product, known as an ARB + CCB combination product, in response to the more than 70% annual growth the FDC market has recently shown.

#### Digestive

The sales growth of Stillen<sup>®</sup>, a gastritis medication, slowed, causing the growth rate of the overall digestive drug segment to slightly fall. However, sales of Gaster<sup>®</sup>, a peptic ulcer medication, gained 3.4% year-on-year. Sales of Pantoline<sup>®</sup>, a duodenal ulcer cure, saw a significant 15.5% year-on-year growth, propelling the overall growth of the digestive drug segment. With new natural herb-based digestive drugs planned for 2011, the segment is expected to recover its growth rate in the coming year.

(unit : KRW in billions)

Category	2009	2010	Change	Indication
Stillen <sup>®</sup>	85.4	87.7	2.6%	Gastritis
Gaster <sup>®</sup>	18.5	19.1	3.4%	Peptic Ulcer
Pantoline <sup>®</sup>	7.2	8.3	15.5%	Duodenal Ulcer

#### Biologic

The biological sector has been the main engine behind Dong-A's recent growth and is one of the company's most promising areas for further growth. Dong-A's blockbuster bio products, specifically Growtropin<sup>®</sup> and Eporon<sup>®</sup>, demonstrated strong sales growth in both domestic and overseas markets. Gonadopin<sup>®</sup>,

a treatment for infertility, realized a robust 60% growth in sales in 2010, and is highly expected to become the company's next growth engine. With more infertility treatment agents in the pipeline, including DA-3801, an expanded indication of Gonadopin®, DA-3803, follicular development and a luteinization inducer, the company is expected to realize significant results in this promising market.

### Neurotic

In the Neurotic sector, Nicetile®, a traditional contributor to sales growth, suffered a decline in sales due to the instable supply of raw materials. Sales of Aridone®, a dementia treatment, continue to grow, but it is difficult to expect sustainable growth in this area because the preventive neuropsychiatric drugs market has become saturated. Nevertheless, Gabapentin®, a post-herpetic neuralgia treatment agent, has received a good response for its efficacy in allaying pain.

(unit : KRW in billions)

Category	2009	2010	Change	Indication
Nicetile®	34.3	26.3	-23.5%	Dementia
Gabapentin®	8.0	8.7	9.6%	Post-Herpetic Neuralgia (PHN) Treatment Agent
Aridone®	2.2	3.4	54.6%	Dementia

### Respiratory

In the respiratory drug sector, Talion®, an allergic rhinitis agent, and Onon®, an asthma agent, have both sustained growth in sales. Meanwhile, Elaspol®, which had sustained growth over a long period, suffered a decline in sales following toughened regulations regarding insurance coverage in 2010. In 2011, the company expects the co-promotion of the Avamys Nasal Spray®, a rhinitis agent, under a strategic alliance with GlaxoSmithKline, to reinforce the company's presence in the respiratory drug market.

(unit : KRW in billions)

Category	2009	2010	Change	Indication
Talion®	18.6	19.6	5.5%	Allergic Rhinitis
Onon®	11.7	12.4	5.9%	Asthma
Elaspol®	2.3	1.7	-26.0%	ALI with SIRS

### Antivirus/skin disease

While sales of Valtrex®, a Herpes Zoster cure, suffered a 3.1% reduction compared to the previous year, Zovirax®, a Keratitis treatment, achieved a solid 10% year-on-year growth. While prospects for the antivirus/skin disease market lacks luster, the preemptive treatment market is exploding following the advancement of the vaccine business. As a result, it is difficult to give a prediction regarding the prospective sales of these products.

(unit : KRW in billions)

Category	2009	2010	Change	Indication
Valtrex®	10.3	10.0	-3.1%	Zoster Herpes
Zovirax®	7.9	8.7	10.0%	Genital Herpes
Diflex®	6.9	6.0	-13.2%	Anti-Fungals
Melanon®	2.4	2.3	-4.9%	Melanosis

### Antibiotic

In the antibiotics segment, Epocelin® sold KRW 10.0 billion, with Suprax® also realizing considerable sales growth. As for tuberculosis cures, such as Closerin®, the company has placed more effort in overseas markets, specifically India, than in the limited domestic market.

(unit : KRW in billions)

Category	2009	2010	Change	Indication
Epocelin®	10.3	10.0	-3.3%	3 <sup>rd</sup> Cephalosporin I.V. Antibiotics
Suprax®	6.3	6.5	2.8%	3 <sup>rd</sup> Cephalosporin Oral Antibiotics
Closerin®	1.6	1.5	-6.0%	Tuberculosis
Cefamezin®	1.4	1.2	-16.8%	1 <sup>st</sup> Cephalosporin I.V. Antibiotics

### Endocrine

Dong-A has realized a good performance in the endocrine business on the back of sound sales of diabetes treatments such as Glimel<sup>®</sup> and Gluconon<sup>®</sup>. In particular, Thioctia<sup>®</sup>, a diabetes agent, realized a 9% year-on-year growth. With the emergence of an aging society, the diabetes market continues to grow. In recognition of this, the Korean government has recently eased the criteria for health insurance coverage, giving rise to good future prospects for the diabetes market. In line with the expanding market, numerous new diabetes agents are emerging in the market. In particular, market demand for products such as DPP-4 inhibitor is growing. In step with these developments, Dong-A is currently in Phase II clinical trial regarding a DPP-4 inhibitor product, namely DA-1229.

(unit : KRW in billions)

Category	2009	2010	Change	Indication
Glimel <sup>®</sup>	15.1	15.5	2.8%	Diabetes
Gluconon <sup>®</sup>	3.0	2.9	-3.9%	Diabetes
Thioctia <sup>®</sup>	2.3	2.5	9.0%	Diabetic Polyneuropathy

### Oncology, Anticancer

Sporting a diverse product line-up, the anticancer drugs segment witnessed an increase in the number of prescriptions of products such as Leucostim<sup>®</sup> and Gemcit<sup>®</sup>. Most conspicuously, Leucostim<sup>®</sup> showed a higher growth in overseas markets such as Brazil and Turkey in comparison to the domestic market.

(unit : KRW in billions)

Category	2009	2010	Change	Indication
Leucostim <sup>®</sup>	4.8	4.7	-2.6%	Neutropenia
Gemcit <sup>®</sup>	3.8	3.9	3.0%	Lung Cancer, Pancreatic Cancer
Fareston <sup>®</sup>	4.5	2.8	-37.8%	Breast Cancer after Menopause
Cisplan <sup>®</sup>	2.0	2.1	7.7%	Testicular Tumor, Bladder Cancer
Zofran <sup>®</sup>	1.7	1.5	-11.8%	Serotonin 5-HT3 Receptor Antagonist
A.D.M. <sup>®</sup>	1.5	1.4	-8.3%	Lymphoma
Carplan <sup>®</sup>	1.3	1.3	-0.2%	Epithelial Ovarian Cancer

### Urology

Following the success of Stillen<sup>®</sup>, Dong-A has launched a second in-house developed drug called Zydena<sup>®</sup>, thereby solidifying its position in the urology market. While Zydena<sup>®</sup> has continued to display sustained growth, realizing KRW 20.0 billion in sales in 2010, the launch of a single daily dose agent in October 2010 is expected to contribute to further growth. In addition, the strategic alliance with GSK has added Avodart<sup>®</sup>, a benign prostatic hyperplasia (BPH) treatment, to the company's urinary drug line-up, thus boosting our marketing power in this area. Dong-A aims to maximize its R&D and sales competences in the urology business. To this end, the company plans to expand its position in the erectile dysfunction drug and BPH drug markets through its popular product Zydena<sup>®</sup> and further advance into the portal hypertension market. Meanwhile, Zydena<sup>®</sup> is wrapping up its Phase III clinical trial in the US and is highly expected to become first Korean pharmaceutical product to be a commercial success in the US market thanks to its low cost, limited side effect and ideal action duration.

(unit : KRW in billions)

Category	2009	2010	Change	Indication
Zydena <sup>®</sup>	16.3	20.0	22.9%	Erectile Dysfunction

### OTC Segment

The OTC segment achieved a 5.7% growth in sales owing to the strong 10.1% sales growth of Bacchus<sup>®</sup>, rising to KRW 128.3 billion and cementing its position as the company's best seller. This significant achievement can be attributed to a more favorable market environment, which had been undermined by SARS pandemic. However, other OTC sales rose a mere 0.2% due mainly to the company's restructuring of sales channels in an attempt to focus on sound wholesalers. With restructuring nearing completion, we expect the figure to shortly bottom out.

(unit : KRW in billions)

Category	2009	2010	Change
Bacchus®	116.5	128.3	10.1%
Panpyrin®	19.9	23.8	19.6%
Garglin®	16.6	14.9	-9.8%
Bigen®	15.5	13.7	-11.7%
Morning Care®	12.2	9.8	-19.6%

**Bacchus** (unit : KRW in billions)**Panpyrin** (unit : KRW in billions)**Garglin** (unit : KRW in billions)**Bigen** (unit : KRW in billions)**Morning Care** (unit : KRW in billions)

### Medical Segment

The medical equipment segment sustained a stable growth of 15.9% year-on-year on the strength of continued expansion in the industry. Specifically, sales of artificial joints and stents climbed by 17.7% and 25.4%, respectively. Also attributable were the 10.4% and 20.3% growths in the sales of the materials for thoracic surgical treatments and other medical equipment, respectively.

Diagnostic sales also grew year-on-year thanks to growing sales of reagent and diagnostic related equipment from Beckman Coulter as well as Beckton Dickens.

(unit : KRW in billions)

Category	2009	2010	Change
Artificial Joint	17.5	20.6	17.7%
Blood Vessel Stent	7.1	8.9	25.4%
Prosthetic Heart Valve & Thoracic Surgery Supplies	4.8	5.3	10.4%
Dental & Microfixation Implant	4.2	4.4	4.8%
Other Medical Equipment	6.9	8.3	20.3%

### Export Sales Segment

Total export sales recorded a substantial 20.3% year-on-year growth on won-base and more than 30% on dollar base thanks to growing sales in countries such as India and the South Africa. By region, the Indian market expanded 68.3% to reach US\$ 11.7 million, becoming the company's largest export destination, followed by Brazil, which the export sales realized a 9.2% growth in sales to reach US\$ 8.5 million.

(unit : US\$ in millions)

Category	2009	2010	Change
Brazil	7.8	8.5	9.1%
India	7.0	11.7	68.3%
South African Republic	1.6	2.9	82.6%
Russia	3.3	3.8	16.0%

By product, sales of Cycloserine was US\$ 13.1 million in India, the highest growth rate, while Growtropin® sales in Brazil amounted to US\$ 8.1 million. Sales of Terizidone in South Africa totaled US\$ 4.4 million, while Bacchus® proved popular in European markets, as did Leucostim® in Brazilian and European markets.

(unit : US\$ in millions)

Category	2009	2010	Change
Growtropin®	8.9	8.1	-9.2%
Leucostim®	2.2	3.3	46.7%
Cycloserine	8.6	13.1	51.7%
Terizidone	3.2	4.4	37.5%
Bacchus®	2.0	3.6	81.4%

The company received authorization to market Zydena® in Malaysia and Philippines and will be sold there from 2011. Furthermore, the company also launched Gonadopin in the Brazilian market after obtaining a license with the local authority. In 2011, the company plans to introduce Zydena® to the Indian, Brazilian and Columbian markets. The company is also aiming to launch Eporon® in Turkey and register Closerin® the finished product of cycloserine with the WHO in preparation of its commercial launch.

## 2. Profit and Cost Analysis

### Gross profit / Cost of Goods Sold

The company's COGS ratio edged up 0.5%p to stand at 40.8% in 2010. This can be attributed to a decrease in sales of highly profitable ETC product and a temporary rise in labor expenses resulting from the payment of performance-based bonuses, which were paid out in December 2010. In the years prior to 2010, performance-based bonuses were usually paid out during the first quarter of the following year. For example performance-based bonuses for 2009 were paid out in February of 2010. As a result, performance-based bonuses were double counted for the year of 2010, temporarily raising cost of labor for the year.

(unit : KRW in billions)

Category	2009	2010	Change
Cost of Goods Sold	323.2	345.6	6.9%
COGS Ratio	40.3%	40.8%	0.5%p
Gross Profit	477.9	501.3	4.9%
Gross Profit to Net Sales Ratio	59.7%	59.2%	-0.5%p

### Operating Profit / Sales & Administrative (S&A) Expenses

Operating profit climbed 0.1%p to 11.6% due to a decrease in sales and administrative expenses as a result of regulatory factors.

(unit : KRW in billions)

Category	2009	2010	Change
Sales & Administrative Expenses	386.0	402.7	
Cost/Income Ratio	48.2%	47.6%	-0.6%p
Wage	89.4	101.6	
Labor Cost to Sales Ratio	11.2%	12.1%	1.5%p
Advertising and General Publicity Expenses	40.8	42.3	
Advertising & General Publicity Expenses to Sales Ratio	5.1%	5.0%	-0.1%p
Support for Research Expenses	56.7	44.6	
Support for Research Expenses to Sales Ratio	7.1%	5.5%	-1.6%p
Sales Promotional Expenses	56.8	51.9	
Sales Promotional Expenses to Sales Ratio	7.1%	6.1%	-1.0%p
R&D Expenses (including S&A Expenses)	51.7	65.5	
R&D Expenses to Sales Ratio	7.1%	7.7%	0.6%p

Sales & administrative expenses were up 4.3% year-on-year to reach KRW 402.7 billion in 2010, up from KRW 386.0 billion in 2009. However, the S&A ratio fell 0.6%p from the previous year to 47.6% in 2010. The labor cost to sales ratio and R&D expenses to sales ratio each gained 1.5%p and 0.6%p from the previous year. While

the increase in labor expenses was a one-time event due to an alteration in the payment settlement date of performance-based bonuses, R&D expenses continue to grow, with the company planning additional R&D investment to heighten R&D capability. Dong-A's total R&D expenses, including R&D expenses, reflected in cost of goods sold, accounted for 7.7% of sales in 2010, up 0.6%p from 7.1% of the previous year.

The support for research expenses to sales ratio dropped 1.6%p year on year, while a 1.0%p drop in the sales promotional expenses ratio offset rises in the cost ratio, labor expenses ratio and R&D expenses ratio, collectively. Support for research expenses declined in the aftermath of a regulatory crackdown on the industry's time-old marketing practices. As a result, the operating profit ratio stood at 11.6%, remaining close to the previous year's 11.5%.

## Pre-Tax Income

The company's non-operating income stood at KRW 35.2 billion, up KRW 11.7 billion from the previous year. Non-operating expenses also rose KRW 7.3 billion, up from KRW 30.3 billion in 2009, resulting in a KRW 4.4 billion profit in the non-operating balance and consequently a year-on-year growth in pre-tax income. This significant growth in non-operating profit can be mainly attributed to gains in the valuations of equity method investments, which realized a KRW 5.0 billion year-on-year growth to reach KRW 14.9 billion. The main sources of this growth were Sooseok, Yongma Logis and Dong-A Pharmtech.

The company's net interest expenses declined KRW 2.8 billion in 2010, from KRW 12.5 billion in 2009, resulting in a positive effect on the company's pre-tax income. The decline in net interest expenses can be explained by a growth in deposits which came about by the issuance of bonds with warrant (BW), capital increase and the resultant cash inflow, partial redemption of borrowing and a decline in interest rates—the average interest rate on borrowing fell to 4.42% in 2010 from 5.67% in 2009. In addition, R&D subsidies income grew KRW 5.5 billion year-on-year to KRW 9.1 billion, thanks to government subsidies to the development of DA-9701, which completed phase III clinical trials in December 2010, as well as to the development of cancer gene therapy.

Meanwhile, losses brought about by the disposition of available-for-sale securities and foreign currency translation from the the exchange bond (EB) redemption added to non-operating losses, resulting in a decline in an increase in non-operating expenses.

In consideration of temporary factors regarding non-operating losses, gains on the valuation of equity method investments and a decline in interest expenses can be considered an improvement in the company's fundamental and are expected to have a positive effect on the company's bottom line.

## 3. Financial Conditions

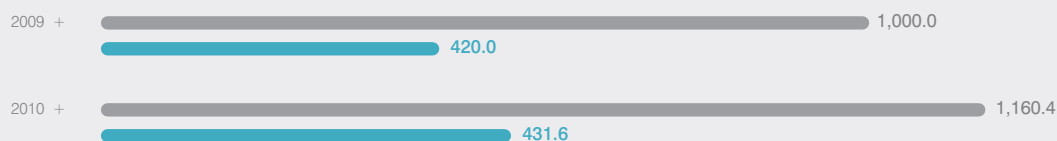
### Assets

As of the end of December 2010, the company's total assets grew 16.0% year-on-year to reach KRW 1,160.4 billion. Cash and cash equivalents stood at KRW 132.6 billion, up KRW 87.8 billion from the previous year, owing mainly to capital raising of KRW 48.4 billion contribution by GSK and BW issuance worth of KRW100 billion. Total cash amounted to KRW 181.8 billion as of the end of the third quarter, with about KRW42 billion being used to buy land. Cash assets are mostly deposited with time deposits and MMDAs.

Inventory assets declined 2.1% year-on-year to KRW 115.7 billion, demonstrating a relatively sound inventory turnover ratio of 2.9 times.

Property, plant and equipment(PPE) rose KRW 75.1 billion from the previous year to KRW 522.5 billion due to land purchase worth KRW 40.2 billion and increased facility investment for the expansion of the R&D Center, etc.

**Total Assets and Liabilities** | Total Assets ● , Total Liabilities ● | (unit : KRW in billions)



### Liabilities

In 2010, the total liabilities grew KRW 431.6 billion, up 2.8% year-on-year, improving the liability-to-equity ratio by 13.2%p year-on-year to 59.2%. As of the end of 2010, short-term borrowing declined KRW 33.2 billion from the previous year to KRW 45.0 billion. The current portion of long-term liabilities also dropped KRW 7.0 billion to KRW 12.0 billion, while the current portion of debenture increased KRW 18.0 billion to KRW 38.0 billion. Total short-term borrowing amounted to KRW 95.0 billion, down KRW 95.6 billion due to the disposition of exchange bonds worth KRW 73.4 billion.

Long-term borrowing increased KRW 18.0 billion from the previous year to reach KRW 36.3 billion, while debenture decreased KRW 28.0 billion to KRW 10.0 billion with the issuance of BW worth KRW 100.0 billion. Total long-term borrowing stood at KRW 146.3 billion, up KRW 90.0 billion and resulting in a KRW 5.6 billion year-on-year drop in total borrowing to KRW 241.3 billion.

As of the end of December 2010, the debt-to-equity ratio stood at KRW 33.1%, up 9.5%p from the previous year. Specifically, the net gearing ratio improved 19.8% from the previous year to reach 14.9%. The current ratio increased from 0.9x at the end of 2009 to 1.7x in 2010 due to a decrease in cash.

(unit : KRW in billions)

Category	2009	2010	Change
Total Liabilities	420.0	431.6	11.6
Current Liabilities	316.0	222.1	- 93.9
Short Term Borrowings	78.2	45.0	- 33.2
Current Portion of Long Term Liabilities	19.0	12.0	- 7.0
Current Portion of Debenture	20.0	38.0	18.0
EB	73.4	-	- 73.4
Non-Current liabilities	103.9	209.4	105.5
Long Term Borrowings	18.3	36.3	18.0
Debenture	38.0	10.0	- 28.0
EB	-	-	-
BW	-	100.0	100.0
Total Shareholders' Equity	580.1	728.9	148.8
Total Borrowings	246.9	241.3	- 5.6
Short Term Borrowings	190.6	95.0	- 95.6
Long Term Borrowings	56.3	146.3	90.0
Net Borrowings	201.4	108.7	- 92.7

(unit : KRW in billions)

Category	2009	2010	Change
Total Assets	1,000.0	1,160.4	160.4
Current Assets	294.7	389.2	94.6
Cash and Cash Equivalents	44.8	132.6	87.8
Receivables	133.8	132.3	- 1.5
Inventory	118.2	115.7	- 2.5
Non-Current Assets	705.3	780.0	74.7
Property, Plant and Equipments	447.4	522.5	75.1

## 4. Cash Flow

Operational activities are the most important source for a company's cash flow. In 2010, Dong-A's net cash from operating activities rose to KRW 118.9 billion from KRW 89.9 billion in 2009. This was mainly due to an increase of 11.3% year-on-year in net income.

Net cash outflow from investing activities amounted to KRW 98.5 billion in 2010, whereas 2009 recorded a total of KRW 92.1 billion. Major items in the cash outflow regarding investing activities included the acquisition of property, plant and equipment worth KRW 106.9 billion. Main items included the establishment of a new R&D center costing KRW 42.0 billion, and the acquisition of land for a plant amounting to KRW 42 billion and maintenance, which amounted to KRW 22.3 billion.

Net cash inflow from financing activities stood at KRW 67.4 billion as a result of various financial activities, such as new stock issuance and bond issuance with warrant. New stock issuance amounted to KRW 47.4 billion due to investment from GSK, while proceeds from bond issuance with warrant amounted to KRW 97.4 billion.

Dong-A recorded a KRW 87.8 billion gain in its year-end cash balance, to total KRW 132.6 billion as of the end of fiscal year 2010.

(unit : KRW in billions)

Category	2009	2010
Cash Flow from Operating Activities	89.9	118.9
Cash Flow from Investing Activities	-92.1	-98.5
Cash Flow from Financing Activities	2.5	67.4
Net Increase (Decrease) in Cash and Cash Equivalents	0.3	87.8
Cash and Cash Equivalents at the Beginning of the Year	44.5	44.8
Cash and Cash Equivalents at the End of the Year	44.8	132.6

## 5. Outlook for 2011

Economic forecasts for 2011 are dim, with uncertainties still here to stay in the pharmaceutical market. With a number of regulations going into effect this year, specifically the low-price drug purchase incentive program, price pressure on market players is expected to increase, while the crackdown on rebate practices is expected to dampen business activities.

In the face of this adverse market environment, Dong-A entered into a strategic alliance with GSK, one of the world's leading pharmaceutical companies, in 2010, integrating bilateral distribution channels under the control of Dong-A. As a result, co-promotion of the two companies will create synergies as both sides bring their extensive expertise, resulting in increased profitability. 2011 marks a turning point for this monumental alliance to get on track. During the second half of 2011, this sales increase will gain momentum following the scheduled launches of various new products, including generic products by Dong-A and an expanded product line-up brought about from the alliance with GSK.

In terms of profit, uncertainties are still bound in the market regarding how many hospitals would actually capitalize on the low-priced drug purchase incentive program. Expanded R&D investment for sustainable growth will also work against profitability. However, sales of GSK products such as 'Avordart®,' 'Hepsera®,' 'Zeffix®,' 'Vaxar®,' and 'Avamys Nasal Spray®' will push up the company's commission income. Furthermore, cost-saving initiatives following efforts to lower the prices of imported goods and raw materials are expected to contribute to an increase in profitability.

# INDEPENDENT AUDITORS' REPORT

Based on a report originally issued in Korean

**KPMG SAMJONG Accounting Corp.**

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**The Board of Directors and Stockholders  
Dong-A Pharmaceutical Co., Ltd.:**

We have audited the accompanying non-consolidated statement of financial position of Dong-A Pharmaceutical Co., Ltd. (the "Company") as of December 31, 2010, and the related non-consolidated statements of income, appropriation of retained earnings, changes in equity and cash flows for the year then ended. These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit. The accompanying non-consolidated financial statements of the Company as of December 31, 2009, were audited by other auditors, whose report thereon dated March 11, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dong-A Pharmaceutical Co., Ltd. as of December 31, 2010 and the results of its operations, the appropriation of its retained earnings, the changes in its equity and its cash flows for the year then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw attention to the following:

As discussed in note 2(a) to the non-consolidated financial statements, accounting principles and auditing standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations, appropriation of retained earnings, changes in equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such non-consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated financial statements are for use by those knowledgeable about Korean accounting principles and auditing standards and their application in practice.

*KPMG Samjong Accounting Corp.*

**KPMG Samjong Accounting Corp.**

Seoul, Korea  
March 8, 2011

This report is effective as of March 8, 2011, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

# NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2010 and 2009

(In thousands of won, except share data)

	2010	2009
<b>Assets</b>		
Cash and cash equivalents	₩ 132,624,683	₩ 44,781,652
Short-term financial instruments	-	700,000
Short-term investments	22,705	23,725
Trade accounts and notes receivable, less allowance for doubtful accounts of ₩10,778,199 in 2010 and ₩12,320,329 in 2009	121,524,769	121,455,593
Other accounts and notes receivable, less allowance for doubtful accounts of ₩3,814 in 2010 and 2009	242,042	294,987
Current deferred income tax assets	6,437,666	5,827,688
Inventories, net	115,749,004	118,249,372
Other current assets	3,780,868	3,358,044
<b>Total current assets</b>	<b>380,381,737</b>	<b>294,691,061</b>
Long-term financial instruments	20,500	20,500
Long-term investments	230,773,820	235,019,926
Trade accounts and notes receivable	159,410	-
Other accounts and notes receivable	1,732,432	1,647,230
Property, plant and equipment, net	522,509,374	447,397,911
Intangible assets, net	3,538,571	2,888,568
Other non-current assets	21,301,999	18,369,775
<b>Total non-current assets</b>	<b>780,036,106</b>	<b>705,343,910</b>
<b>Total assets</b>	<b>₩ 1,160,417,843</b>	<b>₩ 1,000,034,971</b>

(In thousands of won, except share data)

	2010	2009
<b>Liabilities</b>		
Trade accounts and notes payable	₩ 41,135,047	₩ 30,834,077
Short-term borrowings	45,024,906	78,197,427
Income taxes payable	10,406,900	13,259,213
Current portion of long-term debt	50,000,000	110,989,109
Other accounts and notes payable	37,590,848	43,846,883
Allowance for returned goods	8,668,058	9,481,572
Current swap liabilities	-	381,396
Other current liabilities	29,319,446	29,026,872
<b>Total current liabilities</b>	<b>222,145,205</b>	<b>316,016,549</b>
Long-term debt	142,895,451	56,308,985
Provision for retirement and severance benefits	23,022,910	20,673,715
Rental deposits received	6,485,504	6,307,187
Swap liabilities	340,324	1,646,627
Deferred income tax liabilities	36,671,855	19,012,639
<b>Total non-current liabilities</b>	<b>209,416,044</b>	<b>103,949,153</b>
<b>Total liabilities</b>	<b>431,561,249</b>	<b>419,965,702</b>
<b>Stockholders' equity</b>		
Common stock of ₩5,000 par value		
Authorized - 30,000,000 shares		
Issued and outstanding - 11,135,000 shares	55,675,000	52,280,000
Capital surplus	199,783,511	113,722,300
Capital adjustments	(17,309,313)	(18,081,306)
Accumulated other comprehensive income	160,728,572	163,980,396
Retained earnings	329,978,824	268,167,879
<b>Total stockholders' equity</b>	<b>728,856,594</b>	<b>580,069,269</b>
<b>Total liabilities and stockholders' equity</b>	<b>₩ 1,160,417,843</b>	<b>₩ 1,000,034,971</b>

## NON-CONSOLIDATED STATEMENTS OF INCOME

For the years ended December 31, 2010 and 2009

(In thousands of won, except earnings per share)

	2010	2009
Sales	₩ 846,821,957	₩ 801,060,166
Cost of sales	345,565,506	323,170,527
<b>Gross profit</b>	<b>501,256,451</b>	<b>477,889,639</b>
Selling, general and administrative expenses	402,729,212	385,964,390
<b>Operating income</b>	<b>98,527,239</b>	<b>91,925,249</b>
Interest income	4,602,046	3,015,961
Interest expense	(14,344,009)	(15,517,044)
Dividend income	108,967	31,544
Rental income	590,336	636,114
Commission income	344,183	415,950
Compensation for research	9,118,850	3,617,733
Foreign currency translation gain (loss), net	543,199	(752,347)
Foreign currency transaction loss, net	(1,439,843)	(455,439)
Loss on disposal of property, plant and equipment, net	(47,068)	(233,244)
Gain on equity method accounted investments, net	13,168,095	7,502,665
Gain on transactions of swap contracts	-	989,201
Gain (loss) on valuation of swap contracts, net	1,306,303	(1,584,008)
Loss on disposal of available-for-sale securities, net	(7,313,337)	(24,906)
Impairment losses on available-for-sale securities, net	(8,995)	623,289
Recovery of impairment losses on investment properties	-	274,814
Loss on disposal of equity-method accounted investments	-	(2,250)
Loss on disposal of trade accounts receivable	(241,186)	(348,368)
Loss on disposal of guarantee deposits	(61,145)	(183,351)
Expenses on exchangeable bonds	(186,081)	(325,418)
Loss on repayment of exchangeable bonds	(4,916,975)	-
Gain on conversion of available-for-sale securities	399,568	-
Donations	(2,783,254)	(2,661,398)
Others, net	(1,239,727)	(1,850,379)
<b>Other losses</b>	<b>(2,400,073)</b>	<b>(6,830,881)</b>
<b>Income before income taxes</b>	<b>96,127,166</b>	<b>85,094,368</b>
Income taxes	(25,716,784)	(21,831,101)
<b>Net income</b>	<b>70,410,382</b>	<b>63,263,267</b>
<b>Earnings per share</b>		
Basic earnings per share	6,752	6,503
Diluted earnings per share	₩ 6,746	₩ 6,385

## NON-CONSOLIDATED STATEMENTS OF APPROPRIATION OF RETAINED EARNINGS

For the years ended December 31, 2010 and 2009

Date of Appropriation for 2010: March 18, 2011

Date of Appropriation for 2009: March 19, 2010

(In thousands of won)

	2010	2009
<b>Unappropriated retained earnings</b>		
Balance at beginning of year	₩ 573,880	₩ 538,841
Dividends on exchangeable bonds	660,765	648,037
Change on valuation of equity method	(407,269)	-
Net income	70,410,382	63,263,267
<b>Balance at end of year before appropriation</b>	<b>71,237,758</b>	<b>64,450,145</b>
<b>Transfer from voluntary reserves</b>		
Reserve for research and human resource development	1,333,333	2,666,667
<b>Unappropriated retained earnings available for appropriation</b>	<b>72,571,091</b>	<b>67,116,812</b>
<b>Appropriation of retained earnings</b>		
Legal reserve	1,104,000	790,000
Cash dividends – 20% on par value at ₩1,000 per share	11,030,240	7,807,932
Stock dividends	-	1,045,000
Discretionary reserve	59,854,560	56,900,000
<b>Unappropriated retained earnings to be carried over to subsequent year</b>	<b>₩ 582,291</b>	<b>₩ 573,880</b>

## NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2010 and 2009

(In thousands of won)

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total stockholders' equity
<b>Balance at January 1, 2009</b>	₩ 51,265,000,000	₩ 107,980,325	₩ (27,710,362)	₩ 5,824,988	₩ 212,850,555	₩ 350,210,506
Cash dividends	-	-	-	-	(7,578,980)	(7,578,980)
Stock dividends	1,015,000	-	-	-	(1,015,000)	-
Gain on valuation of available-for-sale securities	-	-	-	4,835,984	-	4,835,984
Loss on valuation of available-for-sale securities	-	-	-	(686,016)	-	(686,016)
Change of equity method investments' equity	-	3,704,171	-	64,806,461	-	68,510,632
Loss on valuation of swap	-	-	-	920,986	-	920,986
Surplus from revaluation	-	-	-	88,277,993	-	88,277,993
Deferred income tax effect on reserve for revaluation	-	(4,187)	-	-	-	(4,187)
Dividends on exchangeable bonds	-	-	-	-	648,037	648,037
Disposal of treasury stock	-	2,041,991	9,827,249	-	-	11,869,240
Acquisition of treasury stock	-	-	(198,193)	-	-	(198,193)
Net income	-	-	-	-	63,263,267	63,263,267
<b>Balance at December 31, 2009</b>	52,280,000	113,722,300	(18,081,306)	163,980,396	268,167,879	580,069,269
<b>Balance at January 1, 2010</b>	52,280,000	113,722,300	(18,081,306)	163,980,396	268,167,879	580,069,269
Cash dividends	-	-	-	-	(7,807,932)	(7,807,932)
Stock dividends	1,045,000	-	-	-	(1,045,000)	-
Increase in paid-in capital	2,350,000	45,057,846	-	-	-	47,407,846
Exercise in exchangeable bonds	-	(5,425,516)	-	-	-	(5,425,516)
Issuance of bonds with warrants	-	4,196,447	-	-	-	4,196,447
Gain on valuation of available-for-sale securities	-	-	-	(913,172)	-	(913,172)
Loss on valuation of available-for-sale securities	-	-	-	(472,925)	-	(472,925)
Change of equity method investments' equity	-	-	-	(2,154,826)	-	(2,154,826)
Gain on valuation of swap	-	-	-	(26,321)	-	(26,321)
Loss on valuation of swap	-	-	-	315,420	-	315,420
Dividends on exchangeable bonds	-	-	-	-	660,764	660,764
Change of equity method investments' retained earnings	-	-	-	-	(407,269)	(407,269)
Disposal of treasury stock	-	42,232,434	19,671,659	-	-	61,904,093
Acquisition of treasury stock	-	-	(18,899,666)	-	-	(18,899,666)
Net income	-	-	-	-	70,410,382	70,410,382
<b>Balance at December 31, 2010</b>	₩ 55,675,000	₩ 199,783,511	₩ (17,309,313)	₩ 160,728,572	₩ 329,978,824	₩ 728,856,594

## NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2010 and 2009

(In thousands of won)

	2010	2009
<b>Cash flows from operating activities</b>		
Net income	₩ 70,410,382	₩ 63,263,267
Adjustments for:		
Bad debt expenses	115,098	1,292,567
Depreciation	28,088,083	23,597,511
Amortization of intangible assets	1,036,039	997,745
Foreign currency translation gain, net	(10,474)	(19,969)
Donations paid with treasury stock	-	1,000,620
Salaries paid with treasury stock	11,475,696	11,520,549
Accrual for retirement and severance benefits	16,339,801	10,928,947
Gain on valuation of equity method accounted investments, net	(13,168,095)	(7,502,664)
Loss on disposal of equity method accounted investments	-	2,250
Impairment losses on available-for-sale securities	20,995	-
Recovery of impairment losses on available-for-sale securities	(12,000)	(623,289)
Loss on disposal of available-for-sale securities, net	7,313,337	24,906
Loss (gain) on valuation of swap contracts, net	(1,306,303)	1,584,008
Expense on exchangeable bonds	186,081	5,042,418
Interest expense	5,680,051	-
Research and development cost	-	73,295
Loss on disposal of guarantee deposits	61,145	183,351
Loss (gain) on disposal of property, plant and equipment, net	47,068	(106,756)
Loss on disposal of trade accounts receivable	241,186	348,368
Recovery of impairment losses on investment properties	-	(274,814)
Loss on repayment of exchangeable bonds	4,916,975	-
Gain on transactions of swap contracts	-	(989,201)
Loss on valuation of inventories	1,090,059	675,240
Recovery of valuation losses on inventories	(508,960)	-
Gain on conversion of available-for-sale securities	(399,568)	-
Others	1,951,387	2,764,702
	₩ 133,567,983	₩ 113,783,051

(In thousands of won)

	2010	2009
Changes in assets and liabilities:		
Trade accounts and notes receivable	₩ (585,342)	₩ (138,041)
Other accounts and notes receivable	52,946	196,380
Inventories	2,517,591	(16,353,693)
Deferred income tax assets	(50,950)	309,066
Deferred income tax liabilities	(3,684,436)	(5,886,282)
Trade accounts and notes payable	10,311,916	1,894,891
Other accounts and notes payable	(6,256,034)	7,868,539
Income taxes payable	(2,852,313)	(1,960,725)
Allowance for returned goods	(813,514)	(573,233)
Payment of retirement and severance benefits	(5,644,098)	(5,415,348)
Deposits for severance and retirement benefits	(8,393,079)	(9,077,420)
Withdrawal of severance and retirement benefits from the Korean National Pension Corporation	46,571	17,382
Dividends from equity method accounted investments	437,167	181,454
Others, net	247,383	5,080,636
<b>Net cash provided by operating activities</b>	<b>118,901,791</b>	<b>89,926,657</b>
<b>Cash flows from investing activities</b>		
Decrease in short-term financial instruments	1,200,000	4,115,981
Decrease in long-term financial instruments	-	325,000
Disposal of long-term investments	20,070,345	64,850
Disposal of property, plant and equipment	998,939	1,673,057
Increase of short-term financial instruments	(500,000)	(1,272,000)
Acquisition of long-term investments	(8,794,769)	(23,306,526)
Acquisition of property, plant and equipment	106,914,751)	(70,857,642)
Acquisition of intangible assets	(1,566,555)	(1,276,297)
Others, net	(2,981,521)	(1,612,672)
<b>Net cash used in investing activities</b>	<b>₩ (98,488,312)</b>	<b>₩ (92,146,249)</b>

(In thousands of won)

	2010	2009
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	₩ 68,000,000	₩ 101,697,427
Proceeds from rental deposits received	191,021	790,000
Proceeds from long-term debts	137,499,200	61,000,000
Proceeds from issuance of common stock	47,407,846	-
Repayment of short-term borrowings	(101,172,520)	(100,751,490)
Repayment of current portion of long-term borrowings	(19,000,000)	(29,010,799)
Repayment of current portion of debentures	(20,000,000)	(23,000,000)
Repayment of exchangeable bonds	(18,759,760)	-
Repayment of rental deposits received	(12,704)	(383,300)
Payment of cash dividends	(7,807,932)	(7,578,980)
Repayment of long-term borrowings	(15,933)	(15,128)
Acquisition of treasury stock	(18,899,666)	(198,193)
<b>Net cash provided by financing activities</b>	67,429,552	2,549,537
<b>Net increase in cash and cash equivalents</b>	87,843,031	329,945
<b>Cash and cash equivalents at beginning of year</b>	44,781,652	44,451,707
<b>Cash and cash equivalents at end of year</b>	₩ 132,624,683	₩ 44,781,652

# NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

## 1. Organization and Description of Business

Dong-A Pharmaceutical Co., Ltd. (the "Company") was incorporated on August 9, 1949, to mainly engage in the business of manufacturing and selling pharmaceutical products. The Company's products are produced from four plants located in Cheonan, Banweol, Dalsung and Icheon, Korea. The Company's shares were listed on the Korea Stock Exchange on February 10, 1970. The Company's paid-in capital amounted to ₩55,675 million as of December 31, 2010.

## 2. Basis of Presenting Financial Statements and Summary of Significant Accounting Policies

### (a) Basis of Presenting Financial Statements

The Company maintains its accounting records in Korean won and prepares statutory non-consolidated financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended solely for use by those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements.

The Company prepares the non-consolidated financial statements in accordance with generally accepted accounting principles in the Republic of Korea. The Company applied the same accounting policies that were adopted in the previous year's non-consolidated financial statements.

### (b) Cash Equivalents

The Company considers short-term deposits with maturities of three months or less on acquisition date to be cash equivalents.

### (c) Deposits

Deposits are held for cash management purposes. Short-term deposits, including MMDAs, time deposits, installment savings deposits and restricted bank deposits, among others, are those maturing within one year and long-term deposits are those maturing after one year.

### (d) Allowance for Doubtful Accounts

Allowance for doubtful accounts is estimated based on an analysis of individual accounts and past experience of collection and presented as a deduction from trade receivables.

### (e) Inventories

Inventories are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling costs. The cost of inventories is determined by the specific identification method for materials-in-transit and by the weighted-average method for all other inventories. Amounts of inventory written down to net realizable value due to losses occurring in the normal course of business are recognized as cost of goods sold and are deducted as an allowance from the carrying value of inventories.

The Company recognizes interest costs and other financial charges on borrowings associated with inventories that require a long period for acquisition, construction or production as an expense in the period in which they are incurred.

### (f) Investments in Securities (Excluding Investments in Associates and Subsidiaries)

#### Classification

Upon acquisition, the Company classifies debt and equity securities excluding investments in subsidiaries and associates into the following categories: held-to-maturity, available-for-sale or trading securities.

Investments in debt securities where the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity. Securities that are acquired principally for the purpose of selling in the short term are classified as trading securities. Investments not classified as either held-to-maturity or trading securities are classified as available-for-sale securities.

#### Initial recognition

Investments in securities excluding investments in subsidiaries and associates are initially recognized at cost.

#### Subsequent measurement and income recognition

Trading securities are subsequently carried at fair value. Gains and losses arising from changes in the fair value of trading securities are included in the statements of income in the period in which they arise. Available-for-sale securities are subsequently carried at fair value. Gains and losses arising from changes in the fair

value of available-for-sale securities are recognized as accumulated other comprehensive income, net of tax, directly in equity. Investments in available-for-sale securities that do not have readily determinable fair values are recognized at cost less impairment, if any. Held-to-maturity investments are carried at amortized cost with interest income and expense recognized in the statements of income using the effective interest method.

#### Fair value information

The fair value of marketable securities is determined using quoted market prices as of the period end. Non-marketable debt securities are fair valued by discounting cash flows using the prevailing market rates for debt with a similar credit risk and remaining maturity. Credit risk is determined using the Company's credit rating as announced by accredited credit rating agencies in Korea. The fair value of investments in money market funds is determined by investment management companies.

#### Presentation

Trading securities, available-for-sale securities which mature within one year from the end of the reporting period or where the likelihood of disposal within one year from the end of the reporting period is probable, held-to-maturity securities which mature within one year from the end of the reporting period, short-term deposits and short-term loans are combined and presented as current assets. All other available-for-sale securities and held-to-maturity securities are combined and presented as long-term investments.

#### Impairment

The Company reviews investments in securities whenever events or changes in circumstances indicate that the carrying amount of the investments may not be recoverable. Impairment losses are recognized when the reasonably estimated recoverable amounts are less than the carrying amount and it is not obviously evidenced that impairment is unnecessary.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized and a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognized in the asset in prior year. For financial assets measured at amortized cost and available-for-sale assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

#### (g) Investments in Associates and Subsidiaries

Associates are entities of the Company and its subsidiaries that have the ability to significantly influence the financial and operating policies. It is presumed to have significant influence if the Company holds directly or indirectly 20 percent or more of the voting power unless it can be clearly demonstrated that this is not the case. Subsidiaries are entities controlled by the Company.

Investments in associates and subsidiaries are accounted for using the equity method of accounting and are initially recognized at cost.

The Company's investments in associates and subsidiaries include goodwill identified on the acquisition date (net of any accumulated impairment loss). Goodwill is calculated as the excess of the acquisition cost of an investment in an associate or subsidiary over the Company's share of the fair value of the identifiable net assets acquired. Goodwill is amortized using the straight-line method over its estimated useful life. Amortization of goodwill is recorded together with equity income (loss).

When events or circumstances indicate that the carrying value of goodwill may not be recoverable, the Company reviews goodwill for impairment and records any impairment loss immediately in the statement of income.

The Company's share of its post-acquisition profits or losses in investments in associates and subsidiaries is recognized in the statements of income, and its share of post-acquisition movements in equity is recognized in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of each investment. Changes in the carrying amount of an investment resulting from dividends by an associate or subsidiary are recognized when the associate or subsidiary declares the dividend. When the Company's share of losses in an associate or subsidiary equals or exceeds its interest in the associate or subsidiary, including preferred stock or other long term loans and receivables issued by the associate or subsidiary, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or subsidiary.

If an associate or a subsidiary uses accounting policies or estimates other than those of the Company for like transactions and events in similar circumstances, the Company makes appropriate adjustments to conform the associate's accounting policies to those of the Company when the associate's financial statements are used by the Company in applying the equity method. However, under the revised Statements of Korea Accounting Standards ("SKAS") No. 15 *Equity Method of Accounting*, in the event that accounting policies and estimates differ due to the application of Exceptions to Accounting for Small and Medium-Sized Entities or K-IFRS, no adjustments are made.

If the investee is a subsidiary, net income and net assets of the parent company's separate financial statements should agree with the parent company's share in the net income and net assets of the consolidated financial statements, except when the Company discontinues the application of the equity method due to its investment in a subsidiary being reduced to zero.

Unrealized gains on transactions between the Company and its associates or subsidiaries are eliminated to the extent of the Company's interest in each associate or subsidiary.

**(h) Property, Plant and Equipment**

Property, plant and equipment are stated at cost, except in the case of revaluations made in accordance with the Asset Revaluation Law, which allowed for asset revaluation prior to the Law being revoked on December 31, 2000. Assets acquired through investment in kind or donation are recorded at their fair value upon acquisition. For assets acquired in exchange for a non-monetary asset, the fair value of the asset given up is used to measure the cost of the asset received unless the fair value of the asset received is more clearly evident.

Significant additions or improvements extending the useful life of assets are capitalized. Normal maintenance and repairs are charged to expense as incurred.

Property, plant and equipment are stated net of accumulated depreciation calculated based on the following depreciation methods and estimated useful lives:

	Estimated useful lives	Depreciation method
Building	9 - 60 years	Straight-line method
Structures	5 - 40 years	Straight-line method
Machinery	5 years	Declining-balance method
Vehicles	5 years	Declining-balance method
Others	5 years	Declining-balance method

The Company recognizes interest costs and other financial charges on borrowings associated with the production, acquisition or construction of property, plant and equipment as an expense in the period in which they are incurred.

The Company reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the expected estimated undiscounted future net cash flows from the use of the asset and its eventual disposal are less than its carrying amount.

The Company adopted the revaluation model in accordance with the revised SKAS No.5 Property, Plant and Equipment. The book value of buildings and equipment are accounted at fair value as of the date of the revaluation less accumulated depreciation thereafter and accumulated impairment loss. If an asset's book value increases as a result of the revaluation, the amount of the increase is recognized in other comprehensive income, of which, the amount of the increase that reverses a revaluation decrease of the same asset previously recognized in profit and loss is recognized in profit and loss in the current period. On the other hand, if an asset's book value decreases as a result of the revaluation, that decrease is recognized as a loss for the current period, and the portion of the amount of decrease included in the credit balance in the revaluation surplus recorded in other comprehensive income is deducted from other comprehensive income. According to the transitional provision to this Standard, the accounting change will be applied prospectively and the prior period non-consolidated financial statements presented for comparative purposes have not been restated.

**(i) Intangible assets**

Intangible assets are stated at cost, which includes acquisition cost, production cost and other costs required to prepare the asset for its intended use. Intangible assets are stated net of accumulated amortization calculated using the following depreciation method and estimated useful lives:

	Estimated useful lives	Depreciation method
Industrial property rights	5 - 10 years	Straight-line method
Other intangible assets	5 years	Straight-line method

**(j) Government Grant Received for Capital Expenditure**

Government grant received from third parties for capital expenditure are presented as a reduction of the acquisition cost of the acquired assets and, accordingly, reduce depreciation expense related to the acquired assets over their useful lives.

Income from grants that do not require the Company to fulfill any subsequent obligations and is directly related to the Company's operating activities is recognized as operating income, net of related costs. Other income from grants is recognized as other income.

**(k) Exchangeable Bonds and Bonds with Warrants**

When accounting for exchangeable bonds or bonds with stock purchase warrants, the liability component and the equity component of a bond are separated.

The liability component of a bond is recognized initially at fair value. Fair value is the present value of a similar debt security that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the bond as a whole, which are the gross proceeds of the bond received at the date of issuance, and the fair value of the liability component. In the case of bonds with detachable stock warrants, the fair values of the liability and equity components are calculated separately. The equity component of exchangeable bonds or bonds with stock purchase warrants are presented as part of capital surplus within equity.

Subsequent to initial recognition, the liability component is measured at amortized cost using the effective interest rate method. The equity component is not remeasured subsequent to initial recognition.

#### **(l) Discount on Debentures**

Discount on debentures issued, which represents the difference between the face value and issuance price of debentures, is amortized using the effective interest rate method over the life of the debentures. The amount amortized is included in interest expense.

#### **(m) Retirement and Severance Benefits**

Employees who have been with the Company for more than one year are entitled to lump-sum payments based on salary rates and length of service at the time they leave the Company. The Company's estimated liability under the plan, which would be payable if all employees left at the end of the reporting period, is accrued in the accompanying non-consolidated statements of financial position. A portion of the liability is covered by an employees' severance benefits trust where the employees have a vested interest in the deposit with the insurance company in trust. The deposit for severance benefits held in trust is, therefore, reflected in the accompanying non-consolidated statements of financial position as a reduction of the liability for retirement and severance benefits.

Through March 1999, under the National Pension Scheme of Korea, the Company transferred a certain portion of retirement allowances for employees to the National Pension Fund. The amount transferred reduced the retirement and severance benefit amount to be paid to the employees when they leave the Company and is accordingly reflected in the accompanying non-consolidated financial statements as a reduction of the retirement and severance benefits liability. However, due to a regulation effective April 1999, such transfers to the National Pension Fund are no longer required.

The Company introduced a pension plan. Under the Retirement Benefits Regulation, consideration of service requirements under the plan begins from the date the plan is effective; the period of service prior to the effective date of the plan will continue to be covered by the existing retirement benefits plan.

The Company introduced a defined benefit pension plan, where each eligible employee receives a fixed amount of pension after retirement. The Company accrued, as a liability for retirement and severance benefits, lump-sum payments payable to employees who are currently in service, assuming that they left the Company as of the end of the reporting period. All employees with a minimum of one year of service are eligible to participate and must elect to participate in the plan. Participants accrue estimated benefits based on actuarial assumptions measured on the end of the reporting period at the discounted present value.

The combined provision for retirement and severances benefits under the pension plan and those under the existing retirement benefit plan is recorded as the liability for retirement and severance benefits. Pension plan assets, together with the existing retirement and severance benefit deposit and the deposit previously made to the National Pension Fund under the old National Pension Law, as referred to above, is reflected in the accompanying non-consolidated statements of financial position as a reduction of the liability for retirement and severance benefits.

#### **(n) Foreign Currency Translation**

Monetary assets and liabilities denominated in foreign currencies are translated into Korean won at the foreign exchange rate on the end of the reporting period, with the resulting gains or losses recognized in the statement of income. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into Korean won at the foreign exchange rate on the date of the transaction.

Foreign currency assets and liabilities of foreign-based operations and companies accounted for using the equity method are translated at the rate of exchange at the end of the reporting period. Foreign currency amounts in the statement of income are translated using an average rate and foreign currency balances in the capital account are translated using the historical rate. Translation gains and losses arising from collective translation of the foreign currency financial statements of foreign-based operations are recorded net as accumulated other comprehensive income. These gains and losses are subsequently recognized as income in the year the foreign operations or the companies are liquidated or sold.

#### **(o) Derivatives and Hedge Accounting**

The Company holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivatives are not closely related, and a separate instrument with the same terms as the embedded derivatives would meet the definition of a derivative.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Attributable transaction costs are recognized in profit or loss when incurred.

#### **Hedge accounting**

Where a derivative, which meets certain criteria, is used for hedging the exposure to changes in the fair value of a recognized asset, liability or firm commitment, it is designated as a fair value hedge. Where a derivative, which meets certain criteria, is used for hedging the exposure to the variability of the future cash flows of a forecasted transaction it is designated as a cash flow hedge.

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing

basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting the changes in fair values or cash flows of hedged items.

#### Fair value hedge

Pursuant to the revised SKAS Interpretation 53-70 Accounting for Derivative Instruments, the Company designated non-derivative financial instruments as fair value hedging instruments for the year ended December 31, 2010.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges if a non-derivative financial instrument was designated as fair value hedging instrument, the translation gain or loss are recorded in the statement of operations, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

#### Cash flow hedge

Pursuant to the revised SKAS Interpretation 53-70 Accounting for Derivative Instruments, the Company designated non-derivative financial instrument as cash flow hedging instruments for the year ended December 31, 2010.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to any ineffective portion is recognized immediately in the statement of income. Amounts accumulated in equity are recycled to the statements of income in the periods in which the hedged item will affect income or expense. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income.

#### Derivatives that do not qualify for hedge accounting

Changes in the fair value of derivative instruments that are not designated as fair value or cash flow hedges are recognized immediately in the statement of income.

#### Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognized immediately in the statement of income.

#### (p) Provisions, Contingent Assets and Contingent Liabilities

Provisions are recognized when all of the following are met: (1) an entity has a present obligation as a result of a past event, (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (3) a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, a provision is recorded at the present value of the expenditures expected to be required to settle the obligation.

Where the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset when, and only when, it is virtually certain that reimbursement will be received if the Company settles the obligation. The expense generated by the provision is presented net of the amount of expected reimbursement.

#### (q) Revenue Recognition

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

#### (r) Income Taxes

Income tax on the income or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of operations except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted.

Deferred tax is provided using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are classified as current or non-current based on the classification of the related asset or liability for financial reporting or the expected reversal date of the temporary difference for those with no related asset or liability such as loss carryforwards and tax credit carryforwards. The deferred tax amounts are presented as a net current asset or liability and a net non-current asset or liability.

Changes in deferred taxes due to a change in the tax rate except for those related to items initially recognized outside profit or loss either in other comprehensive income or directly in equity are recognized as income in the current year.

#### (s) Earnings per Share

Earnings per share are calculated by dividing net income attributable to stockholders of the Company by the weighted-average number of shares outstanding during the period.

Diluted earnings per share are determined by adjusting net income attributable to stockholders and the weighted-average number of shares outstanding for the effects of all dilutive potential shares, which comprise exchangeable bonds and bonds with warrants.

#### (t) Use of Estimates

The preparation of non-consolidated financial statements in accordance with accounting principles generally accepted in the Republic of Korea requires management to make estimates and assumptions that affect the amounts reported in the non-consolidated financial statements and related notes to non-consolidated financial statements. Actual results could differ from those estimates.

#### (u) Reclassification

Certain reclassifications have been made to the prior year non-consolidated financial statements to conform to the 2010 presentation.

### 3. Restricted Deposits

Deposits which are restricted in use for guarantee for checking account as of December 31, 2010 and 2009 are summarized as follows:

(In thousands of won)

	2010		2009	
Long-term financial instruments	₩	20,500	₩	20,500

### 4. Transfers of Trade Accounts Receivable

Outstanding trade accounts and notes receivable transferred to and discounted with third parties, and excluded from the accompanying non-consolidated statements of financial position, as of December 31, 2010 and 2009 are summarized as follows:

(In thousands of won)

	2010		2009	
Trade accounts receivable	₩	4,661,595	₩	3,832,941

### 5. Inventories

Inventories as of December 31, 2010 and 2009 are summarized as follows:

(In thousands of won)

	2010		2009	
Finished goods	₩	24,477,760	₩	25,024,780
Merchandise		36,946,786		38,271,313
Raw materials		26,059,956		30,288,997
Work in progress		29,565,199		24,489,760
Other inventories		2,072,277		2,966,396
		119,121,978		121,041,246
Less: Allowance for inventory valuation		(3,372,974)		(2,791,874)
	₩	115,749,004	₩	118,249,372

## 6. Other Current Assets

Other current assets as of December 31, 2010 and 2009 are summarized as follows:

(In thousands of won)

	2010		2009	
Accrued revenue	₩	278,957	₩	66,867
Advance payments		3,047,829		2,700,048
Prepaid expenses		275,588		400,787
Short-term loans to employees		178,494		190,342
	₩	3,780,868	₩	3,358,044

## 7. Investments

Investments as of December 31, 2010 and 2009 are summarized as follows:

(In thousands of won)

	2010		2009	
Available-for-sale securities	₩	16,817,439	₩	34,158,734
Held-to-maturity securities		293,084		308,894
Equity method accounted investments		213,686,002		200,576,023
		230,796,525		235,043,651
Short-term investments		22,705		23,725
Long-term investments		230,773,820		235,019,926
	₩	230,796,525	₩	235,043,651

### (a) Available-for-sale Securities

As of December 31, 2010 and 2009, available-for-sale securities consist of marketable securities recorded at fair value, non-marketable securities recorded at cost and debt securities recorded at amortized cost.

(i) Available-for-sale securities as of December 31, 2010 and 2009 are summarized as follows:

(In thousands of won)

	2010		2009	
	Cost or amortized cost	Fair value	Book value	Book value
Equity securities				
Marketable securities	₩ 11,468,641	₩ 15,099,308	₩ 15,099,308	₩ 31,012,608
Non-marketable securities (*)	5,804,435	218,131	218,131	227,126
	17,273,076	15,317,439	15,317,439	31,239,734
Debt securities	1,500,000	1,500,000	1,500,000	2,919,000
	₩ 18,773,076	₩ 16,817,439	₩ 16,817,439	₩ 34,158,734

(\*) Recovery of impairment losses on available-for-sale securities and impairment losses in the amount of ₩12,000 thousand and ₩20,995 thousand, respectively, were recognized during the year ended December 31, 2010 since the recoverable amount is less than the carrying amount.

### (ii) Changes in unrealized gains (losses)

Changes in unrealized gains (losses) for the years ended December 31, 2010 and 2009 were as follows:

(In thousands of won)

	2010		2009	
Beginning balance	₩	5,407,715	₩	87,242
Valuation of available-for-sale securities		4,008,872		5,320,242
Realized gains on disposition of securities		(5,785,920)		231
Net balance at end of year	₩	3,630,667	₩	5,407,715

**(b) Held-to-maturity Securities****(i) Held-to-maturity securities as of December 31, 2010 and 2009 are summarized as follows:**

(In thousands of won)

	Book value	
	2010	2009
Housing bonds	₩ 166,470	₩ 166,520
Subway bonds	780	1,170
Urban subway bonds	96,725	105,445
Regional development bonds	27,250	33,900
Subordinated bonds	1,859	1,859
	₩ 293,084	₩ 308,894

**(ii) Maturities classified as held-to-maturity securities as of December 31, 2010 and 2009 are summarized as follows:**

(In thousands of won)

	2010	2009
Held-to-maturity		
Within 1 year	₩ 22,705	₩ 23,725
Due after 1 year through to 5 years	270,379	276,004
Due after 5 years	-	9,165
	₩ 293,084	₩ 308,894

**(c) Equity Method Accounted Investments****(i) Investments in companies accounted for using the equity method as of December 31, 2010 are summarized as follows:**

(In thousands of won, except percentage of ownership)

Company	Percentage of ownership	Cost	Net assets	Balance at December 31, 2010
Soo Seok Co., Ltd. (*2)	100.00%	₩ 47,182,033	₩ 59,498,254	₩ 59,473,560
Soo Seok Nong San Co., Ltd.	100.00%	4,278,179	10,259,680	10,257,220
Yong-Ma Logis Co., Ltd.	99.50%	22,207,257	58,892,446	58,570,036
ST Pharm Co., Ltd. (*1,2)	11.21%	3,500,172	3,602,667	3,570,861
Dong-A Otsuka Co., Ltd. (*2)	49.99%	36,841,988	62,006,627	62,006,627
Korea Sinto Co., Ltd.	50.00%	6,085,000	6,171,959	6,171,959
MBC Ad Co., Ltd. (*2)	25.00%	810,000	617,181	617,181
Soo Seok Trading Co., Ltd. (*1,2)	2.99%	499,500	534,731	533,309
Dong-A Pharmtech Co., Ltd. (*2)	33.72%	4,301,595	8,370,996	8,370,996
Dong-A America Corp. (*2)	100.00%	5,884,705	1,163,466	1,163,466
Suzhou Dong-A Beverage Corp. (*2)	45.00%	577,234	773,175	773,175
DA Information Co., Ltd. (*2)	100.00%	1,562,193	2,131,912	2,177,612
		₩ 133,729,856	₩ 214,023,094	₩ 213,686,002

(\*1) The Company accounted for its investments using the equity method of accounting despite its ownership interest under 20% as it has ability to significantly influence financial and operating policy decision.

(\*2) The Company accounted for its investment by using the equity method of accounting based on the unaudited financial statements as it was unable to obtain the audited financial statements and performed procedures to verify the unaudited financial statements.

Investments in companies accounted for using the equity method as of December 31, 2009 are summarized as follows:

(In thousands of won, except percentage of ownership)

Company	Percentage of ownership	Cost	Net assets	Balance at December 31, 2010
Soo Seok Co., Ltd.	100.00%	₩ 47,182,033	₩ 56,883,724	₩ 56,811,216
Soo Seok Nong San Co., Ltd.	100.00%	4,278,179	10,941,511	10,939,787
Yong-Ma Logis Co., Ltd.	99.50%	22,207,257	55,388,100	55,065,690
Dong-A Otsuka Co., Ltd.	49.99%	36,841,988	62,693,771	62,693,771
Korea Sinto Co., Ltd.	50.00%	6,085,000	6,512,165	6,512,165
MBC Ad Co., Ltd.	25.00%	810,000	745,054	745,054
Soo Seok Trading Co., Ltd. (*1,2)	2.99%	499,500	877,149	875,281
Dong-A Pharmtech Co., Ltd.	33.72%	4,301,594	4,028,133	4,049,848
Dong-A America Corp. (*2)	100.00%	5,884,705	1,274,119	1,274,119
Suzhou Dong-A Beverage Corp. (*2)	45.00%	577,234	668,173	668,173
DA Information Co., Ltd. (*2)	100.00%	1,562,193	849,520	940,919
		₩ 130,229,683	₩ 200,861,419	₩ 200,576,023

(\*1) The Company accounted for its investments using the equity method of accounting despite its ownership interest under 20% as it has ability to significantly influence financial and operating policy decision.

(\*2) The Company accounted for its investment by using equity method of accounting based on the unaudited financial statements as it was unable to obtain the audited financial statements and performed procedures to verify the unaudited financial statements.

(ii) Changes in goodwill for equity method accounted investments for the years ended December 31, 2010 and 2009 were as follows: (In thousands of won)

Company	2010			
	Balance at Jan. 1, 2010	Increase (decrease)	Amortized amount	Balance at Dec. 31, 2010
Soo Seok Trading Co., Ltd.	₩ (1,868)	₩ -	₩ 446	₩ (1,422)
Dong-A Pharmtech Co., Ltd.	21,715	-	(21,715)	-
DA Information Co., Ltd.	91,399	-	(45,699)	45,700
	₩ 111,246	₩ -	₩ (66,968)	₩ 44,278

Company	2009			
	Balance at Jan. 1, 2009	Increase (decrease)	Amortized amount	Balance at Dec. 31, 2009
Soo Seok Trading Co., Ltd.	₩ (11,212)	₩ -	₩ 9,344	₩ (1,868)
Dong-A Pharmtech Co., Ltd.	99,069	(49,815)	(27,539)	21,715
DA Information Co., Ltd.	137,099	-	(45,700)	91,399
	₩ 224,956	₩ (49,815)	₩ (63,895)	₩ 111,246

(iii) Details of eliminated unrealized gains from inter-company transactions as of December 31, 2010 and 2009 are summarized as follows:

(In thousands of won)

Company	Inventories	
	2010	2009
Soo Seok Co., Ltd.	₩ 24,694	₩ 72,508
Soo Seok Nong San Co., Ltd.	2,460	1,723
ST Pharm Co., Ltd.	31,806	-
	₩ 58,960	₩ 74,231

(iv) Changes in the opening and closing balances of investments in companies accounted for using the equity method for the year ended December 31, 2010 were as follows:

(In thousands of won, except percentage of ownership)

Company	Balance at Jan. 1, 2010	Net income (loss)	Accumulated other comprehensive income	Other increase (decrease)	Balance at Dec. 31, 2010
Soo Seok Co., Ltd.	₩ 56,811,216	₩ 3,920,086	₩ (1,077,742)	₩ (180,000)	₩ 59,473,560
Soo Seok Nong San Co., Ltd.	10,939,787	(682,567)	-	-	10,257,220
Yong-Ma Logis Co., Ltd.	55,065,690	4,741,232	(1,074,719)	(162,167)	58,570,036
ST Pharm Co., Ltd.	-	482,018	(4,062)	3,092,905	3,570,861
Dong-A Otsuka Co., Ltd.	62,693,771	(337,590)	(349,554)	-	62,006,627
Korea Sinto Co., Ltd.	6,512,165	(245,206)	-	(95,000)	6,171,959
MBC Ad Co., Ltd.	745,054	(127,873)	-	-	617,181
Soo Seok Trading Co., Ltd.	875,281	(285,741)	(56,231)	-	533,309
Dong-A Pharmtech Co., Ltd.	4,049,848	4,449,157	(128,009)	-	8,370,996
Dong-A America Corp.	1,274,119	(80,529)	(30,124)	-	1,163,466
Suzhou Dong-A Beverage Corp.	668,173	98,415	6,587	-	773,175
DA Information Co., Ltd.	940,919	1,236,693	-	-	2,177,612
	₩ 200,576,023	₩ 13,168,095	₩ (2,713,854)	₩ 2,655,738	₩ 213,686,002

Changes in the opening and closing balances of investments in companies accounted for using the equity method for the year ended December 31, 2009 were as follows:

(In thousands of won, except percentage of ownership)

Company	Balance at Jan. 1, 2009	Net income (loss)	Accumulated other comprehensive income	Other increase (decrease)(*)	Balance at Dec. 31, 2009
Soo Seok Co., Ltd.	₩ 27,407,511	₩ 1,291,473	₩ 28,112,232	₩ -	₩ 56,811,216
Soo Seok Nong San Co., Ltd.	2,485,146	(855,283)	9,309,924	-	10,939,787
Yong-Ma Logis Co., Ltd.	30,993,932	3,239,868	20,912,973	(81,083)	55,065,690
Dong-A Otsuka Co., Ltd.	35,287,106	772,447	26,634,218	-	62,693,771
Korea Sinto Co., Ltd.	5,738,017	869,148	-	(95,000)	6,512,165
MBC Ad Co., Ltd.	1,279,599	(534,545)	-	-	745,054
Soo Seok Trading Co., Ltd.	949,844	68,957	(138,150)	(5,370)	875,281
Dong-A Pharmtech Co., Ltd.	259,770	3,717,945	-	72,133	4,049,848
Dong-A America Corp.	1,355,123	17,356	(98,360)	-	1,274,119
Suzhou Dong-A Beverage Corp.	820,792	(103,389)	(49,230)	-	668,173
DA Information Co., Ltd.	1,922,231	(981,312)	-	-	940,919
	₩ 108,499,071	₩ 7,502,665	₩ 84,683,607	₩ (109,320)	₩ 200,576,023

(\*) Other increase (decrease) include acquisitions, disposals, dividends from investees, changes in capital adjustment from the changes in investees' capital surplus, retained earnings and capital adjustments and reclassification from available-for-sale securities.

(v) Financial information of equity-accounted investments, which represents 100% of the entities' balances, as of December 31, 2010 is summarized as follows:

(In thousands of won)

Company	Total assets	Total liabilities	Sales	Net income (loss)
Soo Seok Co., Ltd.	₩ 105,194,604	₩ 45,696,350	₩ 40,126,499	₩ 3,872,271
Soo Seok Nong San Co., Ltd.	21,939,093	11,679,412	1,385,677	(681,830)
Yong-Ma Logis Co.,Ltd.	83,820,010	24,631,085	85,398,788	4,768,117
ST Pharm Co., Ltd.	67,155,928	35,027,156	28,920,009	973,613
Dong-A Otsuka Co., Ltd.	200,251,000	76,203,165	171,607,997	(675,370)
Korea Sinto Co., Ltd.	24,143,734	11,799,815	27,658,500	(378,173)
MBC Ad Co., Ltd.	8,727,175	6,258,452	8,196,225	(888,676)
Soo Seok Trading Co., Ltd.	58,513,429	40,648,262	37,233,607	(9,561,396)
Dong-A Pharmtech Co., Ltd. (*)	31,514,929	6,691,158	24,379,124	16,438,043
Dong-A America Corp.	1,190,271	26,804	536,449	(80,528)
Suzhou Dong-A Beverage Corp.	1,779,219	61,052	139,316	218,700
DA Information Co., Ltd.	3,942,020	1,810,108	5,915,247	1,282,393
	₩ 608,171,412	₩ 260,532,819	₩ 431,497,438	₩ 15,287,164

(\*) Dong-A Pharmtech Co., Ltd. reissued the audit report of fiscal year 2009, which decreased the net income by ₩2,775,117 thousand in 2009. The Company recorded the loss of equity method accounted investees by ₩935,817 thousand in 2010.

Financial information of equity-accounted investments, which represents 100% of the entities' balances, as of December 31, 2009 is summarized as follows:

(In thousands of won)

Company	Total assets	Total liabilities	Sales	Net income (loss)
Soo Seok Co., Ltd.	₩ 97,529,348	₩ 40,645,624	₩ 34,280,560	₩ 1,322,851
Soo Seok Nong San Co., Ltd.	22,127,450	11,185,939	1,092,592	(853,560)
Yong-Ma Logis Co.,Ltd.	85,366,083	29,699,146	75,855,192	3,004,117
Dong-A Otsuka Co., Ltd.	198,535,016	73,112,509	163,175,806	1,545,326
Korea Sinto Co., Ltd.	21,583,837	8,559,506	28,281,627	1,738,296
MBC Ad Co., Ltd.	13,542,896	10,562,681	11,511,373	(2,306,369)
Soo Seok Trading Co., Ltd.	80,524,154	51,218,946	89,719,789	1,991,633
Dong-A Pharmtech Co., Ltd.	13,479,511	1,534,284	17,166,653	9,744,575
Dong-A America Corp.	1,563,539	289,420	1,448,321	17,356
Suzhou Dong-A Beverage Corp.	1,535,403	50,574	208,218	(229,754)
DA Information Co., Ltd.	3,764,319	2,914,799	5,756,579	(935,612)
	₩ 539,551,556	₩ 229,773,428	₩ 428,496,710	₩ 15,038,859

## 8. Property, Plant and Equipment

(a) Property, plant and equipment at December 31, 2010 and 2009 are summarized as follows:

(In thousands of won)

	2010	2009
Property, plant and equipment at cost	₩ 680,679,407	₩ 585,537,043
Accumulated depreciation	(158,170,033)	(138,139,132)
Property, plant and equipment, net	₩ 522,509,374	₩ 447,397,911

(b) Land was stated at revalued amounts as of June 30, 2009. The fair value of the assets was based on the results of an appraisal by an independent appraiser.

(c) Changes in property, plant and equipment for the year ended December 31, 2010 were as follows:

(In thousands of won)

	Book value as of Jan. 1, 2010	Acquisitions	Disposition	Depreciation (*1)	Other (*2)	Book value as of Dec. 31, 2010
Land	₩ 207,770,227	₩ -	₩ -	₩ -	₩ 37,876,752	₩ 245,646,979
Buildings	140,201,801	357,492	(124,439)	(4,792,769)	60,320,777	195,962,862
Structures	5,487,578	343	(78,922)	(357,218)	907,500	5,959,281
Machinery	26,488,936	2,138,935	(31,929)	(15,556,431)	12,053,445	25,092,956
Vehicles	554,681	761,443	(15,743)	(514,088)	47,153	833,446
Others	16,159,734	5,598,384	(794,974)	(8,818,963)	4,065,698	16,209,879
Construction-in-progress	47,621,524	91,755,918	-	-	(108,239,687)	31,137,755
Machinery-in-transit	3,113,430	6,302,236	-	-	(7,749,450)	1,666,216
	₩ 447,397,911	₩ 106,914,751	₩ (1,046,007)	₩ (30,039,469)	₩ (717,812)	₩ 522,509,374

(\*1) Depreciation of ₩1,951 million in respect of idle assets not in use was recognized as non-operating expense.

(\*2) The construction-in-progress and machinery-in-transit amounting to ₩119 million was reclassified as intangible assets.

Changes in property, plant and equipment for the year ended December 31, 2009 were as follows:

(In thousands of won)

	Book value as of Jan. 1, 2009	Acquisitions	Disposition	Depreciation (*)	Other	Book value as of Dec. 31, 2009
Land	₩ 94,910,004	₩ 100,610	₩ (417,300)	₩ -	₩ 113,176,913	₩ 207,770,227
Buildings	105,784,833	614,943	(742,988)	(3,770,155)	38,315,168	140,201,801
Structures	5,089,981	165,000	(97,547)	(340,856)	671,000	5,487,578
Machinery	15,965,316	2,025,041	(61,030)	(14,256,933)	22,816,542	26,488,936
Vehicles	457,754	430,472	(38,874)	(294,671)	-	554,681
Others	12,153,381	1,490,667	(208,560)	(7,519,698)	10,243,944	16,159,734
Construction-in-progress	43,362,048	57,165,490	-	-	(52,906,014)	47,621,524
Machinery-in-transit	8,072,237	8,865,419	-	-	(13,824,226)	3,113,430
	₩ 285,795,554	₩ 70,857,642	₩ (1,566,299)	₩ (26,182,313)	₩ 118,493,327	₩ 447,397,911

(\*) Depreciation of ₩2,585 million in respect of idle assets not in use was recognized as non-operating expense.

#### (d) Insurance

As of December 31, 2010, buildings and others were insured against fire damage up to ₩322,602,715 thousand. ₩12,387 million of buildings and others insured was established the right of pledge by the Korea Development Bank, etc. In addition, as of December 31, 2010, the Company maintained a fire insurance policy with consequential loss and insurance policies covering loss and liability arising from product liabilities.

(e) The officially declared value of land at December 31, 2010, as announced by the Minister of Construction and Transportation, was as follows:

(In thousands of won)

	Book value		Declared value	
Land	₩	245,646,979	₩	179,932,618
Investment properties		1,974,814		533,080
	₩	247,621,793	₩	180,465,698

The officially declared value, which is used for government purposes, is not intended to represent fair value.

## 9. Intangible Assets

(a) Changes in intangible assets for the years ended December 31, 2010 and 2009 were as follows:

(In thousands of won)

	2010		2009	
	Industrial property rights	Others	Industrial property rights	Others
Net balance at beginning of year	₩ 1,132,969	₩ 1,755,598	₩ 815,762	₩ 1,794,254
Additions	955,819	610,736	524,988	751,309
Amortization	(279,091)	(756,948)	(207,781)	(789,964)
Other changes	-	119,488	-	-
Net balance at end of year	₩ 1,809,697	₩ 1,728,874	₩ 1,132,969	₩ 1,755,599

(b) Research and development costs incurred for the years ended December 31, 2010 and 2009 were ₩64,073,860 thousand and ₩46,527,635 thousand, respectively.

## 10. Other Non-current Assets

Other non-current assets as of December 31, 2010 and 2009 are summarized as follows:

(In thousands of won)

	2010		2009	
Investment properties	₩	1,974,814	₩	1,974,814
Guarantee		19,327,185		16,394,961
	₩	21,301,999	₩	18,369,775

## 11. Pledged Assets and Guarantees

The following assets were pledged as collateral as of December 31, 2010:

(In thousands of won)

Lender	Assets	Borrowing amount	Book value	Collateralized amount
SC First Bank (*)	Land, buildings and machinery	₩ 20,000,000	₩ 121,871,069	₩ 15,866,400
Kookmin Bank	Land and buildings	20,293,052	54,247,051	54,759,500
Korea Development Bank	Land, buildings and achinery	₩ 33,000,000	₩ 235,007,691	₩ 36,400,000
				USD 4,500,000
				JPY 1,200,000,000

(\*) The rental deposit of ₩2,053,000 thousand was included in the collateralized amount.

## 12. Short-term Borrowings

Short-term borrowings as of December 31, 2010 and 2009 are as follows:

(In thousands of won)

Lender	Type	Interest Rate	2010	2009
Export-Import Bank of Korea	Trade finance	4.44%	₩ -	₩ 8,000,000
SC First Bank	Bank overdraft	5.24 ~ 8.50%	24,906	197,427
SC First Bank	General loans	5.38%	-	5,000,000
SC First Bank	General loans	5.88%	-	10,000,000
Citibank Korea	General loans	5.46%	10,000,000	20,000,000
Hana Bank	General loans	5.75%	-	5,000,000
Nonghyup Bank	General loans	5.18%	10,000,000	10,000,000
Nonghyup Bank	General loans	5.18%	5,000,000	10,000,000
SMBC	General loans	4.54%	10,000,000	-
SMBC	General loans	4.72%	10,000,000	10,000,000
			₩ 45,024,906	₩ 78,197,427

The above borrowings are secured by certain property, plant and equipment and a guarantee from the chairman of the Company.

## 13. Other Current Liabilities

Other current liabilities as of December 31, 2010 and 2009 are summarized as follows:

(In thousands of won)

	2010	2009
Advance receipts	₩ 1,445,661	₩ 119,141
Accrued expenses	7,685,082	3,540,372
Withholdings	9,847,303	15,391,087
VAT payable	10,341,400	9,976,272
	₩ 29,319,446	₩ 29,026,872

## 14. Long-term Debt

(a) Long-term debt as of December 31, 2010 and 2009 is summarized as follows:

(In thousands of won)

Lender	Maturity	Annual interest rate	2010	2009
<b>Long-term borrowings (*)</b>				
The Korea Development Bank	2011 ~ 2014	4.25%	₩ 5,600,000	₩ 7,000,000
The Korea Development Bank	2011 ~ 2014	4.47%	2,400,000	3,000,000
Kookmin Bank	2011 ~ 2023	5.20%	293,052	308,985
SC First Bank	2011	5.40%	10,000,000	10,000,000
SC First Bank	2012	5.36%	10,000,000	-
Kookmin Bank	-	7.95%	-	10,000,000
Kookmin Bank	-	7.68%	-	7,000,000
Kookmin Bank	2013	3.91%	10,000,000	-
Kookmin Bank	2013	4.00%	10,000,000	-
			48,293,052	37,308,985
Less current portion			(12,000,000)	(19,000,000)
			36,293,052	18,308,985
<b>Bonds &amp; debentures</b>				
Exchangeable bonds (see (c) below)			-	71,989,109
Bonds with warrants (see (d) below)			96,602,399	-
Debentures (*)	2011 ~ 2013	5.36%~5.61%	48,000,000	58,000,000
			144,602,399	129,989,109
Less current portion:				
Exchangeable bonds			-	(71,989,109)
Debentures			(38,000,000)	(20,000,000)
			106,602,399	38,000,000
			₩ 142,895,451	₩ 56,308,985

(\*) Long-term borrowings and debentures are secured by certain property, plant and equipment and a guarantee from the chairman of the Company.

(b) Aggregate maturities of the Company's long-term debt as of December 31, 2010 are summarized as follows:

(In thousands of won)

December 31	Long-term borrowings	Bonds with warrant	Debentures	Total
2011	₩ 12,000,000	₩ -	₩ 38,000,000	₩ 50,000,000
2012	12,000,000	-	-	12,000,000
2013 thereafter	24,293,052	96,602,399	10,000,000	130,895,451
	₩ 48,293,052	₩ 96,602,399	₩ 48,000,000	₩ 192,895,451

**(c) Details of exchangeable bonds as of December 31, 2010 and 2009 are as follows:**

(In thousands of won)

	Issued on	Maturity	2010	2009
Exchangeable bonds (DPA)	July 5, 2007	July 4, 2012	\$ -	\$ 44,800,000
Exchangeable bonds (DPB)	July 5, 2007	July 4, 2017	-	35,000,000
Premium payable			-	26,884,022
<b>Subtotal</b>			\$ -	\$ 106,684,022
			₩ -	₩ 98,138,632
Less:				
Discount on exchangeable bonds			-	(1,553,837)
Exchangeable right adjustment			-	(24,595,686)
<b>Total</b>			₩ -	₩ 71,989,109

The company sold 748,440 treasury shares to an overseas SPC (DPA Limited, DPB Limited) and in return, the SPC issued exchangeable bonds for the Company's stock on July 5, 2007.

The main conditions are as follows:

- Interest rate : Interest rate – 0%, yield to maturity – 3.95% (DPA), 4.10% (DPB)
- Exchange period : Starting on the day after one year from issuance date to 30 days before maturity date
- Exchange price : ₩93,090/share (Adjustment of conversion price when stock dividend was declared)
- Put option by bond holder : Exercisable on the day after three years from issuance date

The sale of treasury stock to SPC was in accordance with commercial law and stock transaction law with regard to the SPC's issuance of exchangeable bonds. However, the Company is exposed to the risk of loss related to the issuance and redemption of exchangeable bond and treasury stock held by SPC, and therefore, the above transaction is accounted for as a borrowing transaction.

The SPC holds the balance representing the difference between the issuance amount of the exchangeable bonds and the proceeds from the sale of treasury shares. This balance, currently recorded as long-term accounts receivable, will be remitted to the Company upon the maturity of the bonds or their conversion.

**(d) Details of bonds with warrants as of December 31, 2010 are as follows:**

(In thousands of won)

	Issued on	Maturity	2010
Bonds with warrants	May 12, 2010	May 12, 2017	₩ 100,000,000
Premium payable			36,086,200
Discount on bonds with warrants			(2,307,925)
Stock warrants adjustment			(37,175,876)
			₩ 96,602,399

The Company issued bond with warrants on May 12, 2010 and the the main conditions are as follows:

- Interest rate: Interest rate – 0%, yield to maturity – 4.50%
- Exercise period: May 12, 2011 ~ April 12, 2017
- Exercise price and shares: ₩111,719 per share, 895,103 shares

The exercise price changes by capital increase, stock dividends, merger, among others. There were no exercises in 2010.

## 15. Assets and Liabilities Denominated in Foreign Currency

(a) Assets and liabilities denominated in foreign currency as of December 31, 2010 are summarized as follows:

(In thousands of won)

	2010				
	Foreign currency		Exchange rate		Translation into won
Cash and cash equivalents	USD	7,817,133.39	₩	1,138.90	₩ 8,902,933
	JPY	1,115,736.00		13.97	15,588
	EUR	811.28		1,513.60	1,228
	CHF	9.06		1,218.01	11
	GBP	1.00		1,757.72	2
	AUD	4.58		1,157.92	5
Trade accounts receivable	USD	607,400.00		1,138.90	691,768
Total foreign currency denominated assets					9,611,535
Trade accounts payable	USD	699,556.04		1,138.90	796,724
	JPY	63,190,000.00		13.97	882,814
	EUR	158,159.02		1,513.60	239,389
	CHF	2,067.35	₩	1,218.01	2,518
Total foreign currency denominated liabilities					₩ 1,921,445

The Company recognized loss on foreign currency translation gain amounting to ₩543,199 thousand as non-operating income in relation to the above foreign currency translation.

(b) Assets and liabilities denominated in foreign currency as of December 31, 2009 are summarized as follows:

(In thousands of won)

	2009				
	Foreign currency		Exchange rate		Translation into won
Cash and cash equivalents	USD	2,892,795.64	₩	1,167.60	₩ 3,377,628
	JPY	788,038.00		12.63	9,952
	EUR	122,705.27		1,674.28	205,443
	CHF	9.06		1,126.43	10
	GBP	1.00		1,877.73	2
	Trade accounts receivable	USD	1,427,348.98		1,167.60
Total foreign currency denominated assets					5,259,608
Trade accounts payable	USD	1,189,709.23		1,167.60	1,389,104
	JPY	8,348,120.00		12.63	105,422
	EUR	321,469.12		1,674.28	538,229
	CHF	19,970.80	₩	1,126.43	22,496
Total foreign currency denominated liabilities					₩ 2,055,251

The Company recognized loss on foreign currency translation loss amounting to ₩752,347 thousand as non-operating income in relation to the above foreign currency translation.

## 16. Retirement and Severance Benefits

Changes in retirement and severance benefits for the years ended December 31, 2010 and 2009 were as follows:

(In thousands of won)

	2010		2009	
Estimated retirement and severance benefits at beginning of year	₩	64,457,309	₩	58,943,710
Accrual for retirement and severance benefits		(5,644,098)		(5,415,348)
Payments		16,339,801		10,928,947
Estimated retirement and severance benefits at end of year		75,153,012		64,457,309
Transfer to National Pension Fund		(346,541)		(393,112)
Deposit for pension plan assets		(51,783,561)		(43,390,482)
Net balance at end of year	₩	23,022,910	₩	20,673,715

The Company maintains an employees' severance benefit trust arrangement with Mirae Asset Life Insurance Co., Ltd. Under this arrangement, the Company has made a deposit in the amount equal to 68.90% and 67.31% of the reserve balances of retirement and severance benefits as of December 31, 2010 and 2009, respectively. This deposit is to be used to guarantee the required payments to the retirees and is accounted for as a reduction in the reserve balance.

## 17. Derivative Instruments

### (a) Interest rate swap contracts

In 2008, the company entered into interest rate swap contracts with Kookmin Bank to hedge risks from the changes in interest rate of operating loans. All interest rate swap contracts expired in 2010.

### (b) Equity swap contracts

The Company has agreed with E1 Inc. to mutually exchange the sales values realizable in the future upon the Company's sale of equity investment in LS Networks and E1 Inc.'s sale of equity investment in the Company. Both parties agreed that any dividend (inclusive of cash and stocks) and/or interest payments shall not take effect to the benefit of the other party, and that all rights (including voting rights) as shareholder shall remain with the respective party until each party's ownership of the respective shares have been relinquished. For the years ended December 31, 2010 and 2009, the gain and loss on valuation of derivative instruments recognized by the Company amounted to ₩1,306 million and ₩1,584 million.

### (c) Derivative instruments as of December 31, 2010 and 2009 are as follows:

(In thousands of won)

	2010		2009	
	Interest rate swap	Equity swap	Interest rate swap	Equity swap
Current swap liabilities	₩ -	₩ -	₩ 381,396	₩ -
Non-current swap liabilities	-	340,324	-	1,646,627
Gain (loss) on valuation	-	1,306,303	-	(1,584,008)
Gain on transaction	-	-	989,201	-
Accumulated other comprehensive expense	₩ -	₩ -	₩ (289,098)	₩ -

## 18. Common Stock and Capital Surplus

### (a) Transactions in common stock for the year ended December 31, 2010 were as follows:

(In thousands of won, except number of shares)

	Number of shares	Amount
Balance at January 1, 2010	10,456,000	₩ 52,280,000
Increase in paid-in capital	470,000	2,350,000
Stock dividends	209,000	1,045,000
Balance at December 31, 2010	11,135,000	₩ 55,675,000

**(b) Changes in capital surplus for the year ended December 31, 2010 were as follows:**

(In thousands of won)

	Paid-in capital in		Others	Total		
	excess of par value					
Balance at Jan. 1, 2010	₩	28,848,335	₩	84,873,965	₩	113,722,300
Increase in paid-in capital		45,057,846		-		45,057,846
Exercise in exchangeable bonds		-		(5,425,516)		(5,425,516)
Issuance of bonds with warrants		-		4,196,447		4,196,447
Disposal of treasury stock		-		42,232,434		42,232,434
Balance at Dec. 31, 2010	₩	73,906,181	₩	125,877,330	₩	199,783,511

**19. Capital Adjustments****Changes in capital adjustments for the years ended December 31, 2010 and 2009 were as follows:**

(In thousands of won)

	2010		2009	
Treasury stock	₩	18,081,306	₩	27,710,362
Disposal of treasury stock		(19,671,659)		(9,827,249)
Acquisition of treasury stock		18,899,666		198,193
	₩	17,309,313	₩	18,081,306

**20. Accumulated Other Comprehensive Income****Changes in accumulated other comprehensive income for the years ended December 31, 2010 and 2009 were as follows:**

(In thousands of won)

	2010		2009	
Beginning balance	₩	163,980,396	₩	5,824,988
Gain on valuation of available-for-sale securities		(913,172)		4,835,984
Loss on valuation of available-for-sale securities		(472,925)		(686,016)
Changes of equity method investments' equity		(2,154,826)		64,806,461
Gain on valuation of swap		(26,321)		-
Loss on valuation of swap		315,420		920,986
Surplus from revaluation		-		88,277,993
	₩	160,728,572	₩	163,980,396

**21. Retained Earnings****Retained earnings as of December 31, 2010 and 2009 are summarized as follows:**

(In thousands of won)

	2010		2009	
Legal reserve	₩	11,785,000	₩	10,995,000
Discretionary reserve		246,956,067		192,722,734
Unappropriated retained earnings		71,237,757		64,450,145
	₩	329,978,824	₩	268,167,879

**(a) Legal reserve**

The Korean Commercial Code requires the Company to appropriate a legal reserve in an amount equal to at least 10% of cash dividends for each accounting period until the reserve equals 50% of stated capital. The legal reserve may be used to reduce a deficit or may be transferred to common stock in connection with a free issue of shares.

**(b) Discretionary reserve****(i) Reserve for business rationalization**

Until December 10, 2002 under the Special Tax Treatment Control Law, investment tax credits were allowed for certain investments. The Company was, however, required to appropriate from retained earnings the amount of tax benefits received and transfer such amount into a reserve for business rationalization.

Effective December 11, 2002, the Company was no longer required to establish a reserve for business rationalization despite tax benefits received for certain investments and, consequently, the existing balance is now regarded as a voluntary reserve.

**(ii) Reserve for improvement of financial structure**

Until December 26, 2007, the Regulations on Securities Issuance and Disclosure required the Company to appropriate into a reserve an amount equal to at least 50% of the net gain on sale of property, plant and equipment and 10% of net income for each year until the Company's shareholder's equity equals 30% of total assets. The reserve may be used to reduce a deficit or transferred to common stock in connection with a free issue of shares.

Effective December 27, 2007, the above requirement has been removed and the Company is no longer required to appropriate a reserve for improvement of financial structure and, consequently, the existing balance as of December 31, 2010 is now regarded as a voluntary reserve.

## 22. Selling, General and Administrative Expenses

Details of selling, general and administrative expenses for the years ended December 31, 2010 and 2009 were as follows:

(In thousands of won)

	2010	2009
Salaries	₩ 101,570,656	₩ 89,388,532
Sales promotion	51,925,579	56,754,673
Support for research	44,601,890	56,672,330
Research and development costs	64,073,860	49,527,635
Advertisement	42,312,345	40,847,329
Outside service fees	18,278,079	19,337,807
Travel	10,662,326	10,973,386
Commissions	11,970,008	10,148,228
Depreciation	8,219,441	7,920,595
Employee benefits	7,200,844	7,027,985
Accrual for retirement and severance benefits	10,429,096	6,999,353
Taxes and dues	4,614,945	4,772,855
Transportation	5,030,383	4,705,528
Training	3,369,518	3,115,383
Entertainment	3,001,279	2,293,977
Export expense	1,960,609	1,992,067
Public relation expense	3,133,372	1,887,250
Books and printing	1,283,383	1,685,705
Supplies	1,501,890	1,583,826
Package	1,589,316	1,548,099
Bad debt expenses	115,098	1,292,567
Amortization of intangible assets	₩ 735,956	₩ 989,412

(In thousands of won)

	2010	2009
Vehicle maintenance	₩ 982,870	₩ 955,419
Repairs and maintenance	683,409	896,795
Rent	1,178,498	815,689
Utilities	729,837	662,366
Communication	598,545	530,244
Insurance	405,039	292,844
Others	571,141	346,511
	₩ 402,729,212	₩ 385,964,390

## 23. Income Taxes

(a) The Company was subject to income taxes on taxable income at the following normal tax rates.

Taxable income	Tax rate		
	2009	2010 & 2011	Thereafter
Up to ₩200 million	12.1%	11.0%	11.0%
Over ₩200 million	24.2%	24.2%	22.0%

In December 2010, the Korean government postponed the reduction of the corporate income tax rate (including resident tax) from 24.2% to 22.0%, until 2012.

(b) The components of income tax expense for the year ended December 31, 2010 and 2009 were as follows:

(In thousands of won)

	2010	2009
Current	₩ 7,809,865	₩ 26,752,201
Deferred	17,906,919	(4,921,100)
Income tax expense	₩ 25,716,784	₩ 21,831,101

(c) The income tax expense calculated by applying statutory tax rates to the Company's income taxes for the year differs from the actual tax expense in the non-consolidated statement income for the years ended December 31, 2010 and 2009 for the following reasons:

(In thousands of won)

	2010	2009
Income before income taxes	₩ 96,127,166	₩ 85,094,368
Expense for income taxes at normal tax rates	23,236,374	20,592,837
Tax effects of permanent differences, primarily entertainment	8,791,595	6,669,941
Investment tax credit	(6,024,935)	(6,744,916)
Adjustment of prior year tax return	372,680	591,644
Charges of tax investigation	-	4,155,961
Others	(658,930)	(3,434,366)
Income tax expense	₩ 25,716,784	₩ 21,831,101
Effective tax rate	26.75%	25.66%

(d) Deferred tax assets have been recognized as the Company has determined it is probable that future profits will be available against which the Company can utilize the related benefit.

(e) The Company did not recognize deferred tax assets (liabilities) on the following items due to the uncertainty of their realizability:

(In thousands of won)

	2010		2009	
Allowance for reduction entry	₩	(36,038,542)	₩	(36,038,542)
Equity method investments	₩	6,717,762	₩	7,764,047

(f) Deferred tax assets and liabilities that were directly charged or credited to equity for the year ended December 31, 2010 are as follows:

(In thousands of won)

	Temporary differences		Deferred tax assets (liabilities)	
Unrealized gain on valuation of available-for-sale securities	₩	1,770,047	₩	390,950
Valuation of equity method		2,713,853		559,028
Gain (loss) on valuation of swap contracts		(381,395)		(92,298)
	₩	4,102,505	₩	857,680

(g) In accordance with SKAS No. 16 Income Taxes, deferred tax amounts should be presented as a net current asset or liability and a net non-current asset or liability. In addition, the Company is required to disclose gross deferred tax assets (liabilities). As of December 31, 2010, details of gross deferred tax assets (liabilities) are as follows:

(In thousands of won)

	Temporary differences at Dec. 31, 2010	Deferred tax assets (liabilities)	
		Current	Non-current
Assets			-
Provision for retirement and severance benefits	₩ 10,212,275	₩ -	₩ 2,246,701
Government subsidy	8,587,302	-	1,889,206
Allowance for doubtful accounts	10,114,863	2,447,797	-
Fictitious dividends	494,792	-	108,854
Accumulated impairment of PPE	4,341,272	-	955,080
Allowance for returned goods	8,668,058	2,097,670	-
Premium payable	36,086,200	-	7,938,964
Loss on valuation of available-for-sale securities	1,510,094	-	332,220
Capital surplus	15,346,930	-	3,376,325
Equity method investments	(6,080,872)	-	678,458
Others	17,564,733	2,632,193	1,076,399
	₩ 106,845,647	₩ 7,177,660	₩ 18,602,207

(In thousands of won)

	Temporary differences at Dec. 31, 2010	Deferred tax assets (liabilities)	
		Current	Non-current
<b>Liabilities</b>			
Exchangeable bonds	₩ (1,732,432)	₩ -	₩ (381,135)
Reserve in tax exemption limit law	(1,333,334)	(322,666)	-
Stock warrants adjustment	(37,175,876)	-	(8,178,694)
Allowance for reduction entry	(36,038,542)	-	-
Gain on valuation of available-for-sale securities	(5,140,762)	-	(1,130,968)
Change in equity method investees	(89,117,599)	-	19,498,941)
Gain on revaluation of land	(113,176,914)	-	24,898,921)
Others	(2,190,114)	(417,328)	(1,185,403)
	(285,905,573)	(739,994)	55,274,062)
<b>Net deferred tax asset (liability)</b>	₩ (179,059,926)	₩ 6,437,666	₩ 36,671,855)

## 24. Earnings per Share

(a) Basic earnings per share for the years ended December 31, 2010 and 2009 were as follows:

(In won, except share information)

	2010	2009
Net income	₩ 70,410,381,519	₩ 63,263,266,742
Weighted average number of common shares outstanding	10,428,397	9,728,971
Earnings per share	₩ 6,752	₩ 6,503

(i) Adjusted net income:

(In thousands of won)

	2010	2009
Net income	₩ 70,410,382	₩ 63,263,267
Adjustments	-	-
Adjusted net income	₩ 70,410,382	₩ 63,263,267

(ii) Weighted average number of common shares outstanding:

(Shares)

	2010	2009
Issued common shares at January 1	10,456,000	10,253,000
Effect of treasury stocks held	(851,036)	(940,314)
Effect of stock dividends	209,000	409,706
Effect of disposal of treasury stocks	-	6,579
Effect of paid-in capital	284,575	-
Effect of exchange of exchangeable bonds	329,858	-
Weighted average number of common shares outstanding at December 31	10,428,397	9,728,971

**(b) Diluted earnings per share for the years ended December 31, 2010 and 2009 were as follows:**

(In won, except share data)

	2010		2009	
Adjusted net income	₩	71,076,560,707	₩	67,085,419,630
Weighted average number of common shares outstanding		10,536,576		10,505,995
Earnings per share	₩	6,746	₩	6,385

**(i) Adjusted net income:**

(In thousands of won)

	2010		2009	
Income attributable to common shareholders (basic)	₩	70,410,382	₩	63,263,267
Interest expense on bonds with warrants, net of tax		666,179		-
Interest expense on exchangeable bonds, net of tax		-		3,822,153
Adjusted net income	₩	71,076,561	₩	67,085,420

**(ii) Weighted average number of common shares outstanding:**

(Shares)

	2010		2009	
Weighted average number of common shares (basic) at December 31		10,428,397		9,728,971
Effect of bonds with warrants		108,179		-
Effect of exchangeable bonds		-		777,024
Weighted average number of common shares (diluted) at December 31		10,536,576		10,505,995

**25. Dividends****(a) Details of dividends for the years ended December 31, 2010 and 2009 were as follows:**

(In thousands of won, except share data)

	2010		2009	
	Cash dividends	Stock dividends	Cash dividends	Stock dividends
Number of shares issued (common stock)	11,135,000	11,135,000	10,456,000	10,456,000
Number of shares for treasury stock (*)	263,707	263,707	822,448	822,448
	(158,947)	(158,947)	(777,024)	(777,024)
	104,760	104,760	45,424	45,424
Number of shares eligible for dividends	11,030,240	11,030,240	10,410,576	10,410,576
Face value per share	₩ 5	₩ 5	₩ 5	₩ 5
Dividends as a percentage of par value	20%	-	15%	2%
Dividend amount	₩ 11,030,240	₩ -	₩ 7,807,932	₩ 1,045,000

(\*) The Company accounted for the issuance of exchangeable bonds through SPC as a borrowing transaction. The SPC is entitled to receive dividends on treasury stock (2010: 158,947 shares, 2009: 777,024 shares) as the treasury stock sales transaction met the conditions set under the Korea Commercial Code.

**(b) Dividends as a percentage of net income and par value for the years ended December 31, 2010 and 2009 were as follows:**

(In thousands of won, except par value)

	2010		2009	
Dividend amount	₩	11,030,240	₩	8,852,932
Net income	₩	70,410,382	₩	63,263,267
Dividends as a percentage of net income		16%		14%

**c) Dividend yield ratio for the years ended December 31, 2010 and 2009 was as follows:**

(In won)

	2010		2009	
Dividend per share	₩	1,000	₩	850
Market price as of year end	₩	123,000	₩	128,500
Dividend yield ratio		0.81%		0.66%

**26. Comprehensive Income****Comprehensive income for the year ended December 31, 2010 and 2009 was as follows:**

(In thousands of won)

	2010		2009	
Net income	₩	70,410,382	₩	63,263,267
Gain on valuation of available-for-sale securities, net of tax of ₩257,561 in 2010 and ₩(1,363,996) in 2009		(913,172)		4,835,984
Loss on valuation of available-for-sale securities, net of tax of ₩133,388 in 2010 and ₩193,491 in 2009		(472,925)		(686,016)
Adjustment of equity of equity method accounted investments, net of tax of ₩559,027 in 2010 and ₩(19,982,103) in 2009		(2,154,825)		64,806,461
Gain on valuation of derivative instruments, net of tax of ₩8,403 in 2010		(26,321)		-
Loss on valuation of derivative instruments, net of tax of ₩(100,701) in 2010 and ₩(294,035) in 2009		315,419		920,986
Surplus from land revaluation, net of tax of ₩(24,898,921) in 2009		-		88,277,993
Comprehensive income	₩	67,158,558	₩	221,418,675

**27. Non-cash Investing and Financing Activities****Significant non-cash investing and financing activities for the years ended December 31, 2010 and 2009 were as follows:**

(In thousands of won)

	2010		2009	
Reclassification of held-to-maturity securities to current portion	₩	22,705	₩	23,675
Reclassification of machinery-in-transit to properties		7,709,127		12,421,577
Reclassification of construction-in-progress to properties		109,692,953		59,776,900
Reclassification of construction-in-progress to other intangible assets		119,488		-
Reclassification of debentures to current portion		38,000,000		10,000,000
Reclassification of long-term borrowings to current portion		12,000,000		19,000,000
Stock dividends	₩	1,045,000	₩	1,015,000

## 28. Value Added Information

Details of accounts included in the computation of value added for the years ended December 31, 2010 and 2009 are as follows:

(In thousands of won)

		2010		2009
Salaries and wages	₩	147,595,276	₩	132,383,475
Accrual for retirement and severance benefits		16,339,801		10,928,947
Employee benefits		10,761,197		10,814,441
Rent		1,247,480		895,736
Depreciation		28,088,083		23,597,511
Amortization of intangible assets		1,036,039		997,745
Taxes and dues	₩	7,279,872	₩	7,502,745

## 29. Commitments and Contingencies

(a) As of December 31, 2010, the Company maintains agreements with several banks, including SC First Bank, for bank overdraft of up to ₩24,000 million, and payment commitment on credit/purchase card of up to ₩38,000 million. The Company also has entered into agreements for D/A note discounts of up to ₩5,000 million and USD 9,500,000 with several banks, including Citibank Korea. The Company is also committed to import credit memorandum of up to ₩11,000 million and USD 42,000,000. Moreover, it has commitment for export bill of exchange of up to ₩2,500 million.

### (b) Royalty agreement

The Company entered into an agreement with Dong-A Pharmtech Co., Ltd., wherein the Company transferred its foreign patent right for Zydene and receives fixed rate of income for the patent right transfer. The agreement will expire in November 2019, the date when the patent expires. For the years ended December 31, 2010 and 2009, royalty income recognized amounted to ₩677,624 thousand and ₩1,055,973 thousand, respectively.

The Company also entered into a license agreement with GENE Techno Science, Inc. According to the agreement, GENE Techno Science, Inc. is authorized to produce, sell, and transfer G-CSF in authorized locations including Japan, America, and Europe. According to the agreement, the Company has the right to receive 3% to 5% on sales of the G-CSF product as royalty income for 10 years starting from the date of sale. For the year ended December 31, 2010, royalty income recognized amounted to ₩273,100 thousand.

The Company also entered into a license agreement with Trius Therapeutics, Inc. According to the agreement, Trius Therapeutics, Inc. is authorized to develop DA-7218-related products and commercialize them in other countries, except in the Republic of Korea. In addition, as the Company meets the conditions stated in the contract, the Company will receive a certain amount of money during each clinical stage.

(c) The Company is a defendant in lawsuits in connection with claims of ₩60 million for the infringement of patent rights, ₩999 million for the refund of the price of pharmaceutical product, ₩1,504 million for the payment of severance and ₩492 million for the cancellation of collateral security. The ultimate outcome of these cases cannot yet be determined.

## 30. Transactions and Balances with Related Companies

(a) Details of parent and subsidiary relationships as of December 31, 2010 were as follows:

Controlled subsidiary (*)	Percentage of ownership
Soo Seok Co., Ltd.	100.00%
Soo Seok Nong San Co., Ltd.	100.00%
Yong-Ma Logis Co., Ltd.	99.50%

(\*) Controlled subsidiaries represent majority-owned entities by either the Company or a controlled subsidiary and other entities where the Company or its controlled subsidiary owns more than 30% of total outstanding common stock and is the largest shareholder.

Equity-method investees	Percentage of ownership
ST Pharm Co., Ltd.	11.21%
Dong-A Otsuka Co., Ltd.	49.99%
Korea Sinto Co., Ltd.	50.00%
MBC Ad Co., Ltd.	25.00%
Soo Seok Trading Co., Ltd.	2.99%
Dong-A Pharmtech Co., Ltd.	33.72%
Dong-A America Corp.	100.00%
Suzhou Dong-A Beverage Corp.	45.00%
DA Information Co., Ltd.	100.00%

(b) Significant transactions which occurred in the normal course of business with related companies for the years ended December 31, 2010 and 2009 were as follows:

(In thousands of won)

Relationship	Name	Transaction	2010	2009
Subsidiaries	Yong-Ma Logis Co., Ltd.	Rent	₩ 70,901	₩ 70,001
		Other income	683,070	59,108
		Outside service fees	10,625,520	10,494,114
	Soo Seok Co., Ltd.	Commissions	4,567,993	5,582,698
		Other income	18,323	11,016
	Soo Seok Nong San Co., Ltd.	Purchase - materials	32,744,692	28,744,709
		Purchase - materials	378,294	392,925
Equity-method investees	ST Pharm Co., Ltd.	Purchase - materials	12,183,370	-
	DA Information Co., Ltd.	Sales - goods	2,340	600
		Rent	46,553	44,484
		Other income	4,659	6,037
		Purchase - goods	4,202,339	3,997,178
		Outside service fees	52,800	56,100
	Dong-A Pharmtech Co., Ltd.	Commission revenue	677,624	1,055,973
		Commissions	640,288	205,103
	Dong-A Otsuka Co., Ltd.	Sales - goods	343,799	71,398
		Sales - materials	-	33,044
		Rent	204,334	262,485
		Purchase - goods	1,745,269	766,953
		Sales promotion	35,204	17,701
	Korea Sinto Co., Ltd.	Other income	₩ 26,222	₩ 23,316

## (c) Account balances with related companies as of December 31, 2010 were as follows:

(In thousands of won)

Relationship	Name	Receivables		Payables		Rental deposits received
		Accounts receivable - trade	Accounts receivable - other	Accounts payable - trade	Accounts payable - other	
Subsidiaries	Yong-Ma Logis Co., Ltd.	₩ -	₩ 3,047	₩ 545,919	₩ 329,706	₩ 1,048,370
	Soo Seok Co., Ltd.	-	1,584	9,689,653	-	-
	Soo Seok Nong San Co., Ltd.	-	-	102,221	-	-
Equity-method investees	DA Information Co., Ltd.	-	4,652	24,200	12,100	13,916
	Dong-A Otsuka Co., Ltd.	270,059	17,671	3,171	-	2,376,650
	Korea Sinto Co., Ltd.	-	1,987	-	-	674,883
	Dong-A Pharmtech Co., Ltd.	745,225	-	-	-	-
	ST Pharm Co., Ltd.	-	-	3,923,836	-	-
		₩ 1,015,284	₩ 28,941	₩ 14,289,000	₩ 341,806	₩ 4,113,819

## Account balances with related companies as of December 31, 2009 were as follows:

(In thousands of won)

Relationship	Name	Receivables		Payables		Rental deposits received
		Accounts receivable - trade	Accounts receivable - other	Accounts payable - trade	Accounts payable - other	
Subsidiaries	Yong-Ma Logis Co., Ltd.	₩ -	₩ 4,658	₩ 531,527	₩ 328,188	₩ 1,030,819
	Soo Seok Co., Ltd.	-	792	7,210,612	-	-
	Soo Seok Nong San Co., Ltd.	-	-	43,657	-	-
Equity-method investees	DA Information Co., Ltd.	-	4,624	24,200	199,888	13,407
	Dong-A Otsuka Co., Ltd.	57,466	15,606	57,914	33,352	2,317,100
	Korea Sinto Co., Ltd.	-	1,910	-	-	650,176
	Dong-A Pharmtech Co., Ltd.	180,116	-	-	-	-
		₩ 237,582	₩ 27,590	₩ 7,867,910	₩ 561,428	₩ 4,011,502

## (d) Key management personnel compensation in total and for each of the following categories for the year ended December 31, 2010 and 2009 was as follows:

(In thousands of won, except par value)

Compensation details	2010	2009
Short-term employee benefits	₩ 2,475,892	₩ 1,906,388
Post-employment benefits	₩ 1,320,962	₩ 688,827

(e) Details of guarantees which the Company had provided for related companies as of December 31, 2010 are as follows:

(In thousands of won)

Guarantee recipient	Relationship	Description	Creditor	Guaranteed amount
Soo Seok Nong San Co., Ltd.	Subsidiary	Collateral for borrowings	Hana Bank	₩ 1,300,000
			Shinhan Bank	3,900,000
			Citibank Korea	3,900,000
			Kookmin Bank	3,250,000
				₩ 12,350,000

Details of guarantees which the Company had provided for related companies as of December 31, 2009 are as follows:

(In thousands of won)

Guarantee recipient	Relationship	Description	Creditor	Guaranteed amount
Soo Seok Nong San Co., Ltd.	Subsidiary	Collateral for borrowings	Hana Bank	₩ 1,300,000
			Shinhan Bank	7,800,000
			Kookmin Bank	3,250,000
				₩ 12,350,000

(f) The Company has provided an equity method investment to serve as collateral for up to ₩900,000 thousand for the borrowings of Korea Sinto Co., Ltd., a related party. The book value of the said asset amounts to ₩6,171,959 thousand and ₩6,512,165 thousand as of December 31, 2010 and 2009, respectively.

### 31. Date of Authorization for Issue

The 2010 financial statements were authorized for issue on March 18, 2011, at the Board of Directors meeting.

### 32. Results of Operations for the Last Interim Period

(In thousands of won except earnings per share)

Compensation details	2010 4th Quarter	2009 4th Quarter
Revenue	₩ 212,327,216	₩ 201,950,862
Operating income	17,098,203	24,257,983
Net income for the period	10,491,605	16,140,671
Earnings per share	₩ 948	₩ 1,558

### 33. Planning and Adoption of K-IFRS (Korean International Financial Reporting Standards)

(a) The Company subsequently plans to issue financial statements prepared in accordance with K-IFRS from 2011. The Company organized a Task Force Team to perform preliminary analysis of the effects of K-IFRS adoption and establish accounting systems to apply the new accounting treatments, and trained its relevant personnel internally and externally. The Task Force Team regularly reports the details and status of the Adoption Plan to its board of directors and management. The details of the K-IFRS Adoption Plan are as follows:

Main Activities	Preparation Plan	Status of the Adoption plan
Formation of the K-IFRS Adoption Task Force Team and analysis of the likely effects of K-IFRS adoption	Complete the K-IFRS Adoption Plan by the end of 2010	Oct. 2009 : 1) Established the K-IFRS Adoption Task Force Team 2) Analysis of the likely effects of K-IFRS adoption Mar. 2010 : 1) Procedures of accounting policy decision about main differences
Training	Acquire the skills required for IFRS conversion by the end of Q4 2010	Carrying out internal and external training
Alignment of accounting systems	Analyzing the accounting system	Jun. 2010 : Establishing consolidation system

**(b) Differences between accounting under K-IFRS and under K-GAAP expected to have a material effect on the Company are as follows:**

Area	K-IFRS	Current K-GAAP
Use of deemed cost for PPE	Use of deemed cost at the time of first-time adoption.	-
Employee benefits	Under the Projected Unit Credit Method, the Company recognizes a defined benefit obligation calculated using an actuarial technique and a discount rate based on the present value of the projected benefit obligation.	The Company establishes an allowance for severance liability equal to the amount which would be payable if all employees left at the end of the reporting period.
Adjustment of deferred income tax	Adjustments of deferred income tax assets (liabilities) based on the K-IFRS.	-

**(c) Changes in scope of consolidation**

The Company is required under K-IFRS to present consolidated financial statements. Changes in the scope of consolidation from K-GAAP to K-IFRS as of December 31, 2010 are as follows:

Consolidated Subsidiaries under K-GAAP	Consolidated Subsidiaries under K-IFRS	Difference
Soo Seok Co., Ltd.	Soo Seok Co., Ltd.	-
Soo Seok Nong San Co., Ltd.	Soo Seok Nong San Co., Ltd.	-
Yong-Ma Logis Co., Ltd.	Yong-Ma Logis Co., Ltd.	-
-	ST Pharm Co., Ltd.	Consolidated subsidiary under K-IFRS based upon de facto control in spite of the percentage of ownership of 11.21%
-	Dong-A America Corp.	Under Art. 1-3 par. 2 of the Presidential Decree enacting the Act on External Audit of Stock Companies, excluded from consolidation, however under K-IFRS it is a consolidated subsidiary.
-	DA Information Co., Ltd.	
-	DPA Limited	Consolidated subsidiary under K-IFRS based upon de facto control.
-	DPB Limited	

# INTERNAL ACCOUNTING CONTROL SYSTEM REVIEW REPORT

English translation of a report originally Issued in Korean

## To the President of Dong-A Pharmaceutical Co., Ltd.:

We have reviewed the accompanying Report on the Operations of Internal Accounting Control System ("IACS") of Dong-A Pharmaceutical Co., Ltd. (the "Company") as of December 31, 2010. The Company's management is responsible for designing and maintaining effective IACS and for its assessment of the effectiveness of IACS. Our responsibility is to review management's assessment and issue a report based on our review. In the accompanying report of management's assessment of IACS, the Company's management stated: "Based on the assessment on the operations of the IACS, the Company's IACS has been effectively designed and is operating as of December 31, 2010, in all material respects, in accordance with the IACS Standards issued by the IACS Operations Committee."

We conducted our review in accordance with IACS Review Standards, issued by the Korean Institute of Certified Public Accountants. Those Standards require that we plan and perform the review to obtain assurance of a level less than that of an audit as to whether the Report on the Operations of Internal Accounting Control System is free of material misstatement. Our review consists principally of obtaining an understanding of the Company's IACS, inquiries of company personnel about the details of the report, and tracing to related documents we considered necessary in the circumstances. We have not performed an audit and, accordingly, we do not express an audit opinion.

A company's IACS is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, however, IACS may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that the Report on the Operations of Internal Accounting Control System as of December 31, 2010 is not prepared in all material respects, in accordance with IACS Framework issued by the Internal Accounting Control System Operation Committee.

This report applies to the Company's IACS in existence as of December 31, 2010. We did not review the Company's IACS subsequent to December 31, 2010. This report has been prepared for Korean regulatory purposes, pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

Seoul, Korea  
March 8, 2011

## Notice to Readers

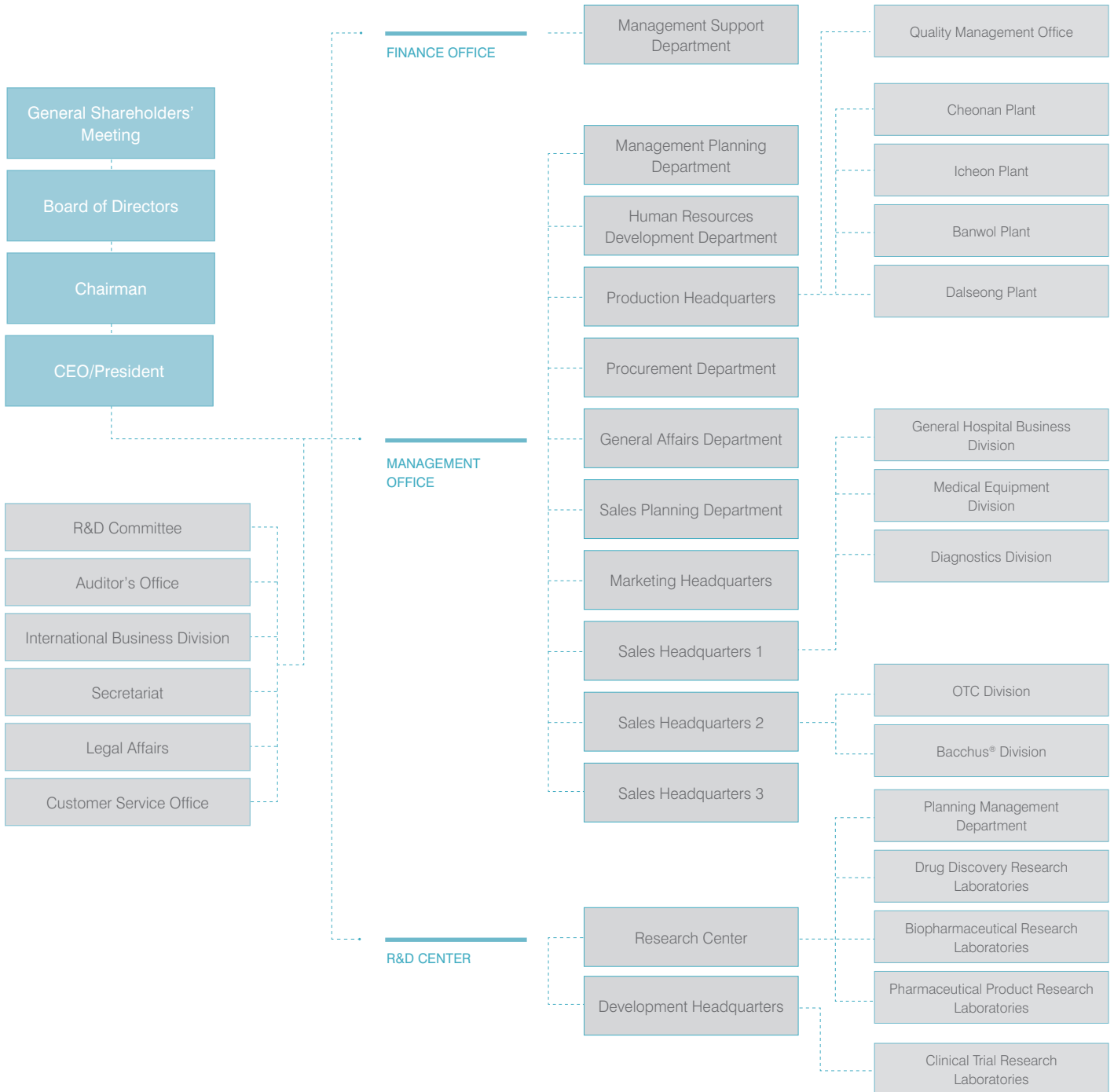
This report is annexed in relation to the audit of the non-consolidated financial statements as of December 31, 2010 and the review of internal accounting control system pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

## DONG-A SOCIO GROUP

(unit : In KRW)

DONG-A PHARMACEUTICAL CO., LTD.		SALES	NET INCOME (LOSS)
<b>DONG-A OTSUKA CO., LTD.</b>	<p>One of the major beverage companies in Korea, producing multi-million sellers like Pocari Sweat®, Black Bean Thera-tea®, Oran-C®, and Demi Soda®</p> <ul style="list-style-type: none"> <li>• Date of Establishment: 1979</li> <li>• Address: 249-1, Yongdu-dong, Dongdaemun-gu, Seoul, Korea</li> <li>• Phone: +82-2-2170-7714</li> </ul>	171,607,996,597	(675,370,194)
<b>YONGMA LOGIS CO., LTD</b>	<p>Nationwide business in transportation, distribution and warehousing network with advanced logistics information system</p> <ul style="list-style-type: none"> <li>• Date of Establishment: 1983</li> <li>• Address: 249-9, Yongdu-dong, Dongdaemun-gu, Seoul, Korea</li> <li>• Phone: +82-2-3290-6400</li> </ul>	85,398,788,136	4,768,117,408
<b>ST PHARM CO., LTD.</b>	<p>Manufacturer of Active Pharmaceutical Ingredients (APIs)</p> <ul style="list-style-type: none"> <li>• Date of Establishment: 2008</li> <li>• Address: 891-43 Daechi-dong, Gangnam-gu, Seoul, Korea</li> <li>• Phone: +82-2-527-6300</li> </ul>	28,920,008,506	973,612,687
<b>SOOSEOK CO., LTD.</b>	<p>Manufacturing bottles of Bacchus® and PEM CAP</p> <ul style="list-style-type: none"> <li>• Date of Establishment: 1968 (Founded as Jungang Glass Industry Inc.)</li> <li>• Address: 620-5 Bakdal 2-dong, Manan-gu, Anyang, Gyeonggi-do, Korea</li> <li>• Phone: +82-31-449-6151~4</li> </ul>	40,126,499,320	3,872,270,917
<b>KOREA SHINTO CO., LTD.</b>	<p>Manufacturing machines of casting, surface treatment, and pollution prevention</p> <ul style="list-style-type: none"> <li>• Date of Establishment: 1970</li> <li>• Address: 434-5 Moknae-dong, Danwon-gu, Ansan, Gyeonggi-do, Korea</li> <li>• Phone: +82-31-491-8121~4</li> </ul>	27,658,499,509	(378,172,523)
<b>DA INFORMATION CO., LTD.</b>	<p>Providing total IT solutions for Dong-A Pharmaceutical</p> <ul style="list-style-type: none"> <li>• Date of Establishment: 2006</li> <li>• Address: Gyeongui-ro, Ilsandong-gu, Goyang-si, Gyeonggi-do, Korea</li> <li>• Phone: +82-70-8636-3800</li> </ul>	5,915,247,372	1,282,392,785
<b>DONG-A AMERICA CORP</b>	<p>Distributing Bacchus® and OTC products in North America</p> <ul style="list-style-type: none"> <li>• Date of Establishment: 1991</li> <li>• Address: 17215 Studebaker Road, Suite#335, Cerritos, CA 90703, USA</li> <li>• Phone: +1-562-860-3153</li> </ul>	536,448,818	(80,528,466)
<b>DONG-A PHARMTECH CO., LTD.</b>	<p>Manager for clinical trials and licensing procedures for Zyderna®</p> <ul style="list-style-type: none"> <li>• Date of Establishment: 2002</li> <li>• Address: 154-8 Samsung-dong, Kangnam-gu, Seoul, Korea</li> <li>• Phone: +82-2-560-8000</li> </ul>	24,379,123,534	16,438,042,807

# ABOUT DEPARTMENT



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## CORPORATE INFORMATION & IR INFORMATION

### CORPORATE INFORMATION

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#### Date of Establishment

June 1932

#### Securities Listings

Korea Stock Exchange: 000640

#### Annual General Meeting

March 18, 2011

#### Information Availability

<http://www.donga-pharm.com>

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 DONG-A PHARM.