

The **NEXT** **CHAPTER**



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CELEBRATING ITS 80th ANNIVERSARY IN 2012,

Dong-A set a new plan for the future.

2012

DECEMBER

80th anniversary of
the foundation of Dong-A

UNDER THE NEW HOLDING COMPANY STRUCTURE,

Dong-A Socio Holdings, Dong-A ST and Dong-A Pharmaceutical have worked in unison over the past two years to build growth momentum through increased flexibility, efficiency, and integrity in each business area.

2013

2014

DONG-A SOCIO HOLDINGS

JANUARY

Signed a comprehensive business alliance contract with MEIC of Mongolia

MARCH

Demerged into three new companies – Dong-A Socio Holdings (the renamed existing entity), Dong-A ST (a stock spin-off entity), and Dong-A Pharmaceutical (an asset split-off entity)

APRIL

Signed a joint R&D contract with the JCB (Joint Center for Biosciences) Research Institute of the US on the AB-204, BMP (Bone Morphogenetic Protein)

OCTOBER

Established a Korea's first dementia research center

DONG-A ST

APRIL

Received an IND (Investigational New Drug) application approval for a phase II clinical trial of DA-9801, a diabetic neuropathy, from the US FDA (Food and Drug Administration)

DONG-A SOCIO HOLDINGS

MAY

Completed the construction of the DM Bio Plant

JULY

Signed an MOU (Memorandum of Understanding) with the University of Freiburg in Germany on joint research of dementia and anti-cancer treatments

OCTOBER

Received holding company approval from the Fair Trade Commission

DONG-A ST

JANUARY

Licensed out DA-3880 (Darbepoetin- α), a long-acting biosimilar stimulating erythropoiesis, to SKK (Sanwa Kagaku Kenkyusho) of Japan for the Japanese market

JUNE

Obtained US FDA approval and launched Sivextro[®] (DA-7218, Tedizolid), an oxazolidinone class antibiotic, in the US by Cubist

JULY

Signed a strategic alliance contract with Combiphar of Indonesia

AUGUST

Secured Korean MFDS (Ministry of Food and Drug Safety) approval for Dulastin[®], DA-3031 (PEG-G-CSF), a long-acting bio-pharmaceutical drug for neutropenia

SEPTEMBER

Licensed out DA-1229 (Evogliptin), a diabetes treatment, to Eurofarma Laboratórios of Brazil for the Brazilian market

AND NOW
WE ARE OPENING A
NEW CHAPTER,
to become a global healthcare company.



Letter to Shareholders

Dong-A Socio Group will grow into a global healthcare company that is acknowledged in the global market and respected by all stakeholders as we take steps forward together in a spirit of challenge.



Dear customers and shareholders,

2014 marked the first chapter of a new beginning for Dong-A Socio Group as a global healthcare company.

I thank you all most profoundly for your trust and support for Dong-A Socio Group at this time of change and challenge.

Dong-A Socio Group set out its vision of becoming a global healthcare company in 2012, the 80th anniversary of its founding, began the transition to a holding company structure. We received holding company approval from the Fair Trade Commission in October 2014, successfully completing the move into a holding company structure. Since the new structure was put in place, Dong-A Socio Holdings has taken charge of new investment for the Group, Dong-A ST has overseen the ETC (Ethical) drug business, and Dong-A Pharmaceutical has been in charge of the OTC (Over-the-counter) drug business. These three companies have been the axes of the balanced growth of Dong-A Socio Group. Our corporate culture and professional, flexible organization are enabling us to take on the challenges needed to meet our goals.

Dong-A Socio Group achieved major strides forward last year in developing a new global drug, creating drivers for continued growth, and expanding our overseas business. In particular, Sivextro[®], an oxazolidinone class antibiotic developed by Dong-A ST, became the company's first new in-house developed original drug to secure approval from the US FDA (Food and Drug Administration). Sivextro[®] has been already sold in the US, and plans to be launched in Europe and Korea in 2015. In addition, we are making good progress in a clinical trial that may add another indication, implying the development of new global drug is on the horizon.

In May 2014, we completed the construction of the DM Bio Plant. The DM Bio Plant is designated as a cGMP (current Good Manufacturing Practice) plant, and it will serve as a base for producing bio-pharmaceuticals, one of our future growth drivers.

Dong-A ST received the '100-Million-USD Pagoda of Export' in December 2014 and took a step closer towards realizing its goal of becoming a global company. This is the outcome of all the efforts made by everyone at the company to make inroads into overseas markets, 33 years after the company began exports in 1981.

2014 was a year when Dong-A Socio Group took a significant step toward a global healthcare company. In 2015, we will embed the DNA of a global healthcare company into our thoughts and actions, in order to lead change and innovation. Accordingly, we will undertake the following key strategic tasks.

First, we will further expand our business areas based on the stable holding company structure.

Since the demerger in 2013, Dong-A Socio Group has built a solid foundation through the holding company structure and strengthened its fundamentals. This foundation will now enable us to expand our business areas, currently focused on the Korean pharmaceutical market, to include overseas pharmaceuticals, medical devices, and medical services. By doing so, we will open a new chapter of growth.

Second, we will concentrate on the research and development of innovative new drugs and bio-pharmaceuticals.

We will utilize the world-leading R&D competencies of Dong-A, which were proven once again by what we did with Sivextro[®], in order to develop innovative new drugs. Based on the belief that Dong-A's social contribution is to develop new drugs, we will do our utmost to improve the health of people around the world through our new global drug. We will also develop and produce biosimilar pharmaceuticals as drivers of new growth for Dong-A Socio Group.

Third, we will implement profit-focused and professional management for sustainable growth.

We will improve growth in our domestic market by releasing competitive new products and strengthen our product line-up. In overseas markets, we will expand exports of key products and license out our R&D to increase sales from milestone and royalty income. We will also solidify the independence and expertise of each business area, including ETC, OTC and biosimilars, to improve business competencies and management efficiency, thus achieving the continued growth of the Group.

Lastly, we will continue to uphold our key values of responsibility and sincerity.

Everyone at Dong-A Socio Group understands that respect for life is our key value. We will never forget our sense of responsibility and respect for life, even as our industry changes sharply. Driven by a strong sense of ethics and transparency, and with a strict compliance program in place to back this up, Dong-A Socio Group will grow into a trusted and respected global company.

Honorable customers and shareholders,

We are living in an era of endless possibilities. To turn these possibilities into realities, Dong-A Socio Group will strive to become a company that identifies the flows of its markets, and responds to them through creativity and innovation. In addition, our transparent and ethical management will enhance our corporate value, and maximize value for all stakeholders, ultimately.

I ask for your continued encouragement as Dong-A Socio Group takes on the challenges and pursues innovation as we open a new chapter to become a global healthcare company.

Thank you.



SHIN-HO KANG

Chairman, Dong-A Socio Group

ORGANIZATION

Dong-A Socio Group announced its plan to become a global healthcare company in 2012, marking its 80th anniversary. This was followed by the establishing of Dong-A Socio Holdings, Dong-A ST, and Dong-A Pharmaceutical in 2013, and the change to a holding company structure in 2014. Dong-A Socio Group is now achieving significant results based on this strong and flexible organization.

On March 1st, 2013, the former Dong-A Pharmaceutical demerged into Dong-A Socio Holdings, the holding company, Dong-A ST, a company specializing in ETC* (Ethical) drugs, and Dong-A Pharmaceutical, a company specializing in OTC** (Over-the-counter) drugs. The existing Dong-A Socio Holdings entity completed a change of listing on the KRX (Korea Exchange) market on April 8th, 2013. Dong-A ST, the company created as a result of the equity spin-off, was re-listed. On October 30th, 2014, Dong-A Socio Holdings satisfied the requirements of the Fair Trade Act for becoming a holding company, and then received approval for its change to a holding company from the Fair Trade Commission in December 2014, which marked the successful completion of its change to a holding company structure. The three companies now pursue growth by implementing responsible management in their respective areas of expertise, and make united efforts to both increase the value of Dong-A Socio Group and improve the quality of life of people around the world.

The holding company structure signified a new start for Dong-A Socio Group, and was essential in accomplishing our goal of becoming a global healthcare company. After the change in structure, Dong-A Socio Group has focused on building the foundations for globalization and strengthening its business fundamentals for the past two years. Based on this new growth momentum, Dong-A is accelerating its globalization by concentrating its capacity on new global drug development and exports. This will enable Dong-A Socio Group to go beyond its strong reputation in the Korean market to become a globally respected healthcare company. By striving together towards the realization of our vision, we will open a new chapter in the growth.

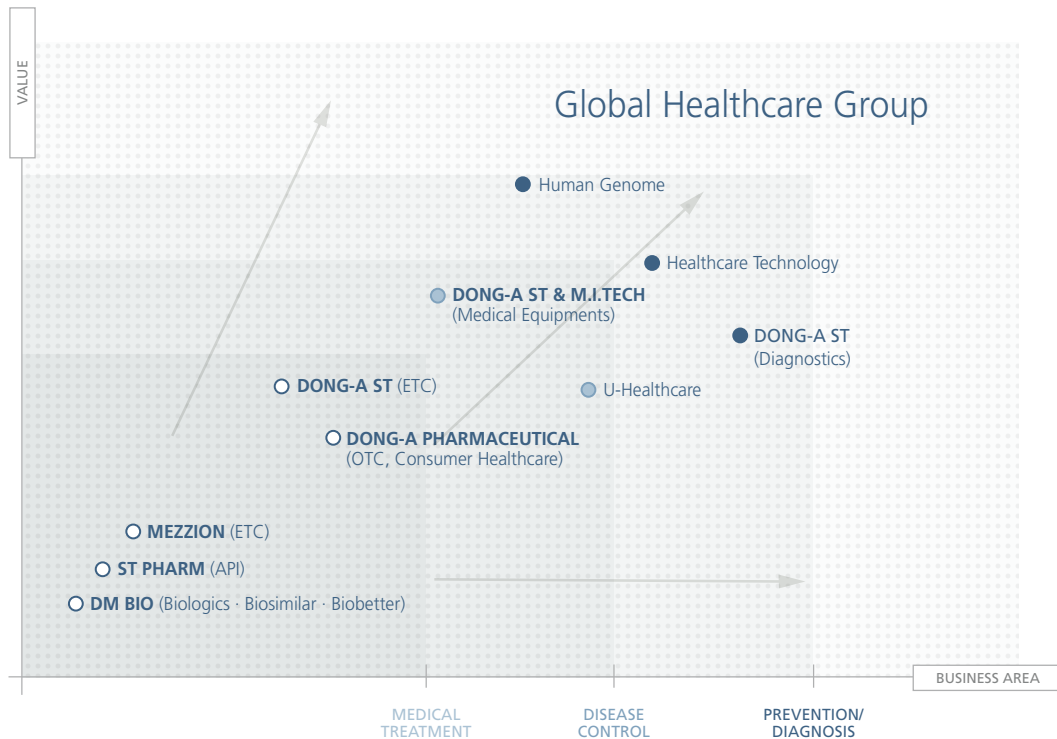
LEAD THE WAY ON TRACK FOR
GROWTH STRONGER GLOBAL TIES
REACH NEW HEIGHTS SEE BIGGER
PICTURE WORKING WITH INTEGRITY
CREATING MORE TO
MORROW TO LEAD THE WAY ON TRACK
FOR GROWTH STRONGER GLOBAL
TIES REACH NEW HEIGHTS SEE

PRIMING for
a **NEW CHAPTER**
of GROWTH

PICTURE WORKING WITH INTEGRITY
CREATING MORE TO
MORROW TO LEAD THE WAY ON TRACK
FOR GROWTH STRONGER GLOBAL
TIES REACH NEW HEIGHTS SEE
BALANCING GLOBAL AND LOCAL
BIGGER PICTURE WORK MORE TO

Dong-A Socio Group at a Glance

Roadmap for Business Diversification



Dong-A Socio Holdings

Dong-A Socio Holdings defines the overall vision for Dong-A Socio Group, and formulates its strategic goals; the company also draws up the Group's human resource and investment plans to achieve the goals. The company makes long-term investments such as new business and aims to expand its business areas by going beyond the current pharmaceuticals-centered business structure to include medical services and other new business areas.

Dong-A ST

Dong-A ST focuses on ETC (Ethical) drugs, overseas business, and medical equipments & diagnostics. Dong-A ST is in charge of business and the registration of pharmaceuticals with current exporters, and its

short- and mid-term progress into global markets. The company focuses on developing new global drugs based on its outstanding research infrastructure of cutting-edge research centers and highly-skilled research experts, thus growing into a global pharmaceutical company.

Dong-A Pharmaceutical

Dong-A Pharmaceutical's main businesses are in OTC (Over-the-counter) drugs, health functional foods, and quasi-drugs such as Bacchus®. The company aims to be Korea's top healthcare company by adhering closely to its founding spirit of contributing to the health of the nation by creating good medicines.

CEOs of Affiliates

DONG-A SOCIO HOLDINGS



Jung-Seok Kang | CEO & President



Dong-Hoon Lee | CEO & Executive Vice President

DONG-A ST



Won-Bae Kim | CEO & Vice Chairman



Chan-Il Park | CEO & President

DONG-A PHARMACEUTICAL



Dong-Wook Shin | CEO & President

Key Figures

2014 SUMMARIZED FINANCIAL STATEMENTS

DONG-A SOCIO HOLDINGS

(Unit: KRW billion)

	SEPARATE FIGURE	CONSOLIDATED FIGURE
Statements of Financial Position		
Total assets	604.3	1,081.1
Total liabilities	237.0	546.6
Total shareholders' equity	367.2	534.5
Statements of Income		
Sales	72.2	630.6
Cost of goods sold	23.9	439.1
SG&A expenses	18.9	135.8
R&D expense	24.0	34.9
Operating profit	5.4	20.8
Profit before income tax	9.7	25.3
Net profit	6.4	6.5

DONG-A ST

(Unit: KRW billion)

	SEPARATE FIGURE	CONSOLIDATED FIGURE
Statements of Financial Position		
Total assets	1,078.0	1,081.9
Total liabilities	591.1	593.5
Total shareholders' equity	486.8	488.3
Statements of Income		
Sales	568.1	578.6
Cost of goods sold	264.0	268.5
SG&A expenses	193.2	197.2
R&D expense	62.7	63.6
Operating profit	48.2	49.4
Profit before income tax	44.2	45.7
Net profit	34.3	37.5

SALES STRUCTURE

SALES

(Unit: KRW billion)

Dong-A Pharmaceutical (Former)					
	ETC	Overseas	Medical Equipments & Diagnostics	OTC	Bacchus® (Domestic only)
2012	439.7	94.8	73.7	140.0	170.9
FORMER STRUCTURE					
↓					
Demerged on March 1, 2013					
Dong-A ST			Dong-A Pharmaceutical		
	ETC	Overseas	Medical Equipments & Diagnostics	OTC	Bacchus® (Domestic only)
2013 (Full year pro-forma)	383.7	117.2	65.0	152.3	179.2
2014	352.6	112.3	65.7	159.3	186.5

Corporate Governance

Good governance helps us to operate ethically, build trust with stakeholders, and create long-term value for them.



Dong-A Socio Holdings, Dong-A ST, and Dong-A Pharmaceutical each have a separate BOD (Board of Directors). The companies conduct efficient evaluations of investments based on independent decision-making by the BODs. In order to best represent shareholder interests, each BOD is in charge of all of its respective business activities, ranging from formulating management strategies to monitoring whether performance goals have been achieved. BODs also make decisions on remuneration for top management. Our systematic and independent corporate governance system promotes clear decision-making and enhances transparency.

Rules governing the Boards' operations were established and implemented to ensure efficient and responsible management by the Boards. Outside directors are appointed through the impartial process of the Outside Director Candidate Recommendation Committee; this Committee recommends candidates whose experience and expertise prove that they are capable of reasonable and balanced decision-making and business supervision.

As of the end of 2014, the BOD of Dong-A Socio Holdings consists of four internal directors, two outside directors, and one affiliated director. In 2014, the Board held 13 meetings to deliberate on 17 agenda items. The rate of participation by outside directors was 100%. The BOD of Dong-A ST consists of three internal directors, three outside directors, and three affiliated directors. In 2014, the Board held a total of eight meetings to deliberate on 11 agenda items. All outside directors participated in all meetings. The BOD of Dong-A Pharmaceutical consists of one internal director, two outside directors, and three affiliated directors. Six BOD meetings were held in 2014, to discuss a total of six agenda items. The participation rate of outside directors was 100%.

	Dong-A Socio Holdings	Dong-A ST	Dong-A Pharmaceutical
Composition	4 internal directors, 2 outside directors, and 1 affiliated director	3 internal directors, 3 outside directors, and 3 affiliated directors	1 internal director, 2 outside directors, and 3 affiliated directors
Activities	13 meetings on 17 agenda	8 meetings on 11 agenda	6 meetings on 6 agenda
Outside directors' participation rate	100%	100%	100%

Board of Directors

DONG-A SOCIO HOLDINGS

INSIDE DIRECTORS

Jung-Seok Kang

CEO & President, Dong-A Socio Holdings

2005 Head, Marketing & Sales,
Dong-A Pharmaceutical

2009 M.S. in Pharmacy, Sungkyunkwan University

Dong-Hoon Lee

CEO & Executive Vice President, Dong-A Socio Holdings

2012 Executive Director, Investment Advisory,
Samjong KPMG

1993 M.A. in Business Administration,
Ohio State University

Soo-Hyoung Kang

CEO & President, DM Bio

2012 Head, DMB Business Department,
Dong-A Pharmaceutical

1996 Ph.D. in Biochemistry, Korea University

Hong-Ki Chae

Managing Director, Dong-A Socio Holdings

2012 Head, Financial Administration Division,
Dong-A Pharmaceutical

1989 M.A. in Law, Korea University

OUTSIDE DIRECTORS

Kyung-Bo Kang

2005 CPA, Daehyun Accounting & Tax Firm

1989 B.A. in Business Administration,
Korea University

Bong-Soon Cho

2007 Professor, Sogang Business School

2004 Ph.D. in Business Administration,
State University of New York

AFFILIATED DIRECTOR

Jin-Ho Kim

Senior Vice President, North Asia, GlaxoSmithKline

2000 Senior Vice President, North Asia,
GlaxoSmithKline

1976 M.S. in Computer Science, Columbia University

AUDITORS

Jong-Sik Yoo

Auditor, Dong-A Socio Holdings

2012 Outside Auditor, Dong-A Pharmaceutical

1987 B.A. in Landscape Architecture,
Yeungnam University

Seok-Kyu Han

Auditor, Dong-A Socio Holdings

2014 Audit Team, Dong-A Pharmaceutical

1990 B.A. in Chemical Engineering,
Kwangwoon University

DONG-A ST

INSIDE DIRECTORS

Won-Bae Kim

CEO & Vice Chairman, Dong-A ST

1996 Head, Research Center,
Dong-A Pharmaceutical

1990 Ph.D. in Microbiology, Seoul National University

Chan-Il Park

CEO & President, Dong-A ST

2005 Head, Development & Licensing,
Dong-A Pharmaceutical

1978 B.A. in Pharmacy, Seoul National University

Byoung-Ok Ahn

Head, Development & Licensing, Dong-A ST

2011 Head, Development & Licensing,
Dong-A Pharmaceutical

2003 Ph.D. in Veterinary Science,
Seoul National University

OUTSIDE DIRECTORS

Keun-Soo Kim

2005 Professor, Business Administration, Graduate
School of Pan-Pacific International Studies,
Kyung Hee University

2000 Ph.D. in Economy, State University of New York

Young-Je Suh

2009 Dean, School of Law,
Chungnam National University

2001 Ph.D. in Law, Sungkyunkwan University

Byoung-Chang Woo

2011 Trustee of Director, Korea-Japan Law Association

1996 Ph.D. in Law, Korea University

AFFILIATED DIRECTORS

Jung-Seok Kang

CEO & President, Dong-A Socio Holdings

2005 Head, Marketing & Sales,
Dong-A Pharmaceutical

2009 M.S. in Pharmacy, Sungkyunkwan University

Chung-Sik Yu

2006 Vice Chairman, Dong-A Pharmaceutical

1962 B.A. in Business Administration,
Seoul National University

Jin-Ho Kim

Senior Vice President, North Asia, GlaxoSmithKline

2000 Senior Vice President, North Asia,
GlaxoSmithKline

1976 M.S. in Computer Science, Columbia University

AUDITOR

Seung-Deok Jang

Auditor, Dong-A ST

2006 Senior Economist, Accounting System
Department, Financial Supervisory Service

1996 B.A. in Commerce and Trade, Korea University

DONG-A PHARMACEUTICAL

INSIDE DIRECTOR

Dong-Wook Shin

CEO & President, Dong-A Pharmaceutical

2011 Vice President, Yong-ma Logis

1979 B.A. in Pharmacy, Kyung Hee University

OUTSIDE DIRECTORS

Sang-Gyung Jun

2002 Professor, Business Administration,
Hanyang University

2000 Ph.D. in Finance, State University of New York

Bong-Soon Cho

2007 Professor, Business Administration,
Sogang University

2004 Ph.D. in Organization and Human Resources,
State University of New York

AFFILIATED DIRECTORS

Jung-Seok Kang

CEO & President, Dong-A Socio Holdings

2005 Head, Marketing & Sales,
Dong-A Pharmaceutical

2009 M.S. in Pharmacy, Sungkyunkwan University

Bong-Jin Cha

Executive Vice President, Dong-A ST

2010 Production Director, Dong-A Pharmaceutical

1983 B.A. in Pharmacy, Seoul National University

Mi-Won Son

Managing Director, Dong-A ST

2011 Director, Pharmaceutical Product Research
Laboratories, Dong-A Pharmaceutical

1984 B.A. in Pharmacy, Seoul National University

AUDITOR

Sam-Beom Choi

Auditor, Dong-A Pharmaceutical

2005 Director, Accounting Firm Doore

1998 B.A. in Physics, Dongguk University

2014

R&D HIGHLIGHTS

2014 saw excellent results coming from the passion and commitment that Dong-A Socio Group has been investing into R&D. Sivextro[®] took a step closer to becoming a new global drug, and new in-house developed original drugs, such as Motilitone[®], advanced further into global markets. These achievements have opened a new chapter in the history of Dong-A's R&D.

Sivextro[®] became Dong-A Socio Group's first drug to be launched in the US, showing that our R&D capabilities have reached a new phase. It is extremely difficult to satisfy the high standards and criteria of advanced countries; in fact, only around 20 new chemical drugs received approval from the US FDA (Food and Drug Administration) and Europe's EMA (European Medicines Agency) in 2013. Against this backdrop of strict regulation, Dong-A ST's in-house developed antibiotic to target super bacteria was successfully commercialized in the US, and preparations are also being made for its launch in Europe. This achievement reaffirms Dong-A's ability to develop new global drugs, and shows that our capabilities have been recognized in the global market.

In addition, Dong-A Socio Group's new drugs are extending their reach across global markets. The IND (Investigational New Drug) application for phase II clinical trial of Motilitone[®], a phytomedicine for functional dyspepsia and Dong-A ST's third new in-house developed original drug, was approved from the US FDA. DA-3880, a Glyco-engineered Darbepoetin α biosimilar, was licensed out to Japan. Also, DA-1229, an in-house developed diabetes treatment, was licensed out to the rapidly-growing Brazilian market, following its successful entry in China and India.

A photograph of a person's feet in dark winter boots with yellow laces, walking on a snowy surface. The boots are positioned at the top center of the frame. Below them, several tracks are visible in the snow, leading away from the viewer. The text 'REACHING NEW HEIGHTS' is overlaid in a light blue, sans-serif font in the center of the image. A horizontal dotted line is positioned below the text, and a vertical solid line is on the right side of the page.

REACHING NEW HEIGHTS

01

Licensing-out
of DA-3880 and
DA-1229

02

Approval for
Dulastin[®], DA-3031,
from Korean MFDS



03

Launch of
Sivextro[®], DA-7218
in the US

EXPAND NEW HORIZONS

R&D History



▼ 1977

Established the central research institute in Yongdu-dong, Dongdaemun-gu, Seoul, Korea

▼ 1979

Developed the world's third antibiotics, Talampicillin®

▼ 1981

Received the Invention Award for the production method for beta lactam antibiotics

▼ 1988

Released AIDS DIA®, Korea's first ever first-generation AIDS diagnostic reagent - Constructed the industry's first KGLP (Korea Good Laboratory Practice)-compliant research center in Sanggal, Gyeonggi, Korea

▼ 1991

Received the IR52 Jang Young Shil Award for AIDS DIA®

▼ 1993

Developed Growthropin®, a first-generation biomedicine and human growth hormone

▼ 1994

Released Interferon-alfa™, a first-generation biomedicine and multiple myeloma treatment - Developed the world's first simultaneous diagnostic reagent for AIDS and hepatitis C - Acquired the Korea Good Technology mark for AIDS DIA®, an AIDS diagnostic reagent

▼ 1997

Became the first in Korea to develop a tuberculosis treatment, Closerin®

▼ 1999

Released Leucostim®, a first-generation biomedicine and neutropenia treatment, and Eporon®, a renal anemia treatment

▼ 2002

Released Stillen®, Dong-A's first in-house developed original drug and a phytomedicine for gastritis

▼ 2005

Released Zyderna®, Dong-A's second in-house developed original drug and an erectile dysfunction treatment

▼ 2006

Released Gonadopin®, a first-generation biomedicine and infertility treatment

▼ 2007

Licensed out Sivextro®, an oxazolidinone class antibiotic, to Trius Therapeutics of the US for the worldwide territory except Korea - Received the IR52 Jang Young Shil Award for Zyderna®

▼ 2009

Mezzion, an affiliate, licensed out Zyderna®, an erectile dysfunction treatment, to Warner Chilcott for the US and Canadian markets





2011

Released Motilitone[®], Dong-A's third in-house developed original drug and a phytomedicine for functional dyspepsia

- Licensed out Zydena[®] to Meiji Seika Pharma of Japan for the treatment of urological diseases including BPH (Benign Prostatic Hyperplasia) for the Japanese market

2012

Licensed out DA-1229 (Evogliptin), a diabetes treatment, to Luye Pharma Group of China for the Chinese market

- Licensed out Monotaxel[®], an IMD (Incrementally Modified Drug) for cancer, to Gloria Pharmaceutical of China for the Chinese market
- Received the IR52 Jang Young Shil Award for Motilitone[®]
- Licensed out DA-1229 (Evogliptin) to Alkem Laboratories of India for the Indian and Nepali markets

2013

Signed a joint R&D contract with the JCB (Joint Center for Biosciences) Research Institute of the US on the AB-204, BMP (Bone Morphogenetic Protein)

- Received an IND (Investigational New Drug) application approval for a phase II clinical trial of DA-9801, a diabetic neuropathy, from the US FDA (Food and Drug Administration)
- Established a Korea's first dementia research center

2014

Licensed out DA-3880 (Darbeoetin- α), a long-acting bio-pharmaceutical drug stimulating erythropoiesis, to SKK (Sanwa Kagaku Kenkyusho) of Japan for the Japanese market

- Obtained US FDA approval and launched Sivestro[®] (DA-7218, Tedizolid), an oxazolidinone class antibiotic, in the US by Cubist
- Signed an MOU (Memorandum of Understanding) with the University of Freiburg in Germany on joint research of dementia and anti-cancer treatments

Secured Korean MFDS (Ministry of Food and Drug Safety) approval for Dulastin[®], DA-3031 (PEG-G-CSF), a long-acting bio-pharmaceutical drug for neutropenia

- Licensed out DA-1229 (Evogliptin), a diabetes treatment, to Eurofarma Laboratórios of Brazil for the Brazilian market

In July 2014, Dong-A ST signed a licensing-out agreement with Eurofarma Laboratórios in Brazil for DA-1229 (Evogliptin), a new diabetes treatment developed in-house by Dong-A ST. DA-1229 is a DPP(Dipeptidyl Peptidase)-4 inhibitor that is excellent for glucose control and causes fewer side effects, such as weight increase and hypoglycemia, compared to other diabetes treatments. Under this agreement, Dong-A ST will receive up-front and milestone payments upon stages of development, and export APIs (Active Pharmaceutical Ingredients) once the product is rolled out. Eurofarma Laboratórios is in charge of development and sales of DA-1229 in Brazil, including clinical trials and approvals. Eurofarma Laboratórios is a pharmaceutical company with a sales network across Latin America, including Brazil, where it has around 2,000 sales representatives, the largest number of sales personnel in the country. The company's sales reached around KRW 1 trillion in 2013. The number of diabetes patients in Brazil is around 11 million, which is fourth on the list of countries with the greatest number of diabetes patients, following China, India, and the US — and numbers are growing substantially every year. The diabetes medicine market in Brazil amounted to KRW 760 billion in 2013, and DPP-4 inhibitors form a large part of that, accounting for roughly 30% of the market.

Prior to this, Dong-A ST signed licensing-out agreements for DA-1229 with China's Luye Pharma Group and India's Alkem Laboratories in 2012. By additionally licensing out DA-1229 in Brazil, Dong-A ST has received overseas recognition of its R&D excellence once again. In Korea, Dong-A ST plans to submit an NDA (New Drug Application) for DA-1229 in the first half of 2015.

01

Licensing-out of DA-3880 and DA-1229

Dong-A ST signed a licensing-out agreement with SKK (Sanwa Kagaku Kenkyusho) of Japan for DA-3880 in January 2014. Dong-A ST is developing DA-3880 as a biosimilar of darbepoetin- α . It stimulates erythropoiesis (increases red blood cell levels), and is used to treat anemia, commonly associated with chronic renal failure and chemotherapy. Darbepoetin- α was jointly developed by Kirin of Japan and Amgen, a multinational pharmaceutical company, and recorded sales of more than USD 3 billion around the world and JPY 60 billion in Japan as of 2012. Through this agreement, Dong-A ST will help with product development in Japan, and expects to receive milestone payments at the development stages, and will also generate exports when the finished product goes on sale in Japan. SKK and GTS (Gene Techno Science) of Japan are jointly developing the product and preparing a phase I clinical trial to take place, with the aim of releasing it to market in 2019. Dong-A ST has independently completed a phase I clinical trial in Europe and proved bio equivalence with the original product.

Approval for Dulastin[®], DA-3031, from Korean MFDS

A bio-pharmaceutical neutropenia treatment developed by Dong-A ST, Dulastin[®], has approved from the Korean MFDS (Ministry of Food and Drug Safety). Dulastin[®] is a long-acting bio-pharmaceutical drug of G-CSF (Granulocyte-Colony Stimulating Factor) medication, developed by the application of the company's own extended release technology. It is indicated for a reduction in the duration of severe neutropenia in patients treated with cytotoxic chemotherapy for malignant lymphoma and solid cancer. The drug's half-life is extended compared to first-generation G-CSF medication, thus maintaining medicinal effects for longer in vivo. In fact, just one dose per chemotherapy cycle prevents neutropenia and reduces the period of manifestation. It avoids the inconvenience of daily injection with existing treatment, and also reduces the likelihood of triggering immune reactions from frequent administration.

Dong-A ST began the development of Dulastin[®] in 2003, and completed a non-clinical study in 2007 with support from the Korean Ministry of Health & Welfare. The drug's efficacy and safety was proved later through a clinical trial, and an NDA (New Drug Application) has been submitted to the Korean MFDS in August 2013. Dong-A ST plans to release the product in Korea in 2015, and begin overseas development, with the aim of making it a driver of the company's long-term growth.

Neutropenia is a condition where neutrophils, which usually make up more than half of white blood cells, are below normal levels. G-CSF medication is mainly used to mitigate the side effects of the reduced immunity caused by a decrease in the number of neutrophils when cancer patients are administered with cytotoxic chemotherapy. Global sales of G-CSF medications are more than KRW 6 trillion in 2014.



Launch of Sivextro[®], DA-7218 in the US

Sivextro[®] (Tedizolid Phosphate) is an antibiotic targeting super bacteria that Dong-A ST licensed out to Trius Therapeutics (currently Merck/MSD) in the US, and which was commercialized there after receiving NDA approval from the US FDA (Food and Drug Administration) in June 2014. This accomplishment came a decade after non-clinical trials began in 2004. It is only the second new drug from Korea, and the first developed in-house by Dong-A ST, to receive US FDA approval. Dong-A ST once again proved its outstanding R&D capabilities, as it did with Stillen[®], Zyderna[®], and Motilitone[®].

Sivextro[®] is an oxazolidinone class antibiotic, developed in both oral dosage and injection dosage forms for the treatment of ABSSSI (Acute Bacterial Skin and Skin Structure Infections) caused by gram-positive bacteria, including MRSA (Methicillin-resistant Staphylococcus Aureus). As the threat posed by super bacteria increases, Sivextro[®] will benefit patients substantially, thanks to its outstanding tolerability, greater convenience as it only needs to be administered once a day, and a six-day treatment period that is shorter than that of its competitor product.

Dong-A ST initiated non-clinical studies in June 2004, and completed it in 2006. In January 2007, Dong-A ST signed a licensing-out agreement with Trius Therapeutics, which carried out US and global clinical development. Sivextro[®] was designated a QIDP (Qualified Infectious Disease Product) for ABSSSI, and for indications of HAP/VABP (Hospital-Acquired/Ventilator-Associated Bacterial Pneumonia), by the US FDA in early 2013. QIDP designation means that the drug is subject to expedited evaluation and priority review. The US FDA accepted the NDA of Sivextro[®] in December 2013 for Priority Review, and approved the NDA in June 2014.

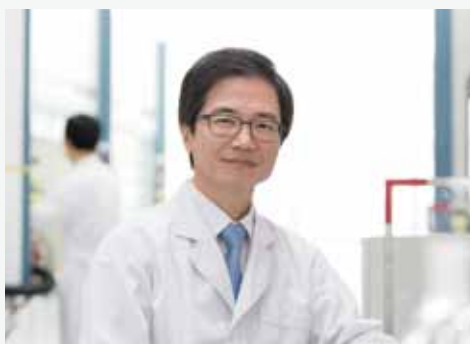
Sivextro[®] was commercialized in the US market in June 2014, and preparations are also being made for its launch in other markets. In February 2014, the EMA (European Medicines Agency) accepted for review the MAA (marketing authorization application). Once the review process is completed in the first half of 2015, Sivextro[®] is expected to be commercialized in Europe as well. A global phase III clinical trial is being conducted for HAP/VABP patients, in addition to the ABSSSI indication. The global launch of Sivextro[®] and its use for additional indications should drive strong increases in sales.

In 2011, Trius Therapeutics sub-licensed the development and sales rights of Sivextro[®] in Asia, including China and Japan, and emerging countries to Bayer, so once clinical trials and approval processes are successfully completed in these territories, Bayer will commercialize Sivextro[®] as the sublicensee. In Korea, as the original developer, Dong-A ST is in charge of its commercialization. The release of Sivextro[®] in countries around the world will be a step forward in Dong-A becoming a global company.

Interview

Weon-bin Im

Director, Drug Discovery Research Laboratories
at the Dong-A ST Research Center



Q. What led to the development of Sivextro®?

A. Antibiotics aren't something that global pharmaceutical companies would usually take an interest in. However, Dong-A ST was ahead of others in recognizing that MRSA would become an issue thanks to our advanced capabilities in identifying disease patterns. As early as 2004, we began development of a medicine for serious skin infections caused by gram-positive bacteria, including MRSA. The MRSA market totaled around KRW 2.7 trillion in 2011 and is forecast to grow to around KRW 3.5 trillion in 2019, according to GlobalData, a market research firm.

Q. What difficulties were experienced in the development process?

A. It is extremely important with a new drug to reduce the period of development, even a little, because patent rights are only guaranteed for 20 years from the beginning of development. In advanced countries, companies with product planning capabilities will be able to raise sufficient funds, and can thus reduce the development period. In contrast, the weaker domestic pharmaceutical environment made it very difficult to fight against time. Dong-A, however, has spared no expense in R&D for new drug development, and refused to give up despite the long development process. This commitment and determination have now resulted in the creation of a new global drug.

Q. Why carry out global clinical trials by going through a licensing-out process in the initial clinical phase?

A. A global clinical trial requires considerable funds, and our signing of a licensing-out agreement with Trius Therapeutics in 2007 turns out to be an excellent decision. Cubist will sell Sivextro® in the US, Canada, and Europe, and it is a company specialized in antibiotics, with outstanding sales capabilities and relevant marketing skills that are needed in the antibiotics market. Cubist has now been acquired by Merck, the multinational pharmaceutical giant, which in turn leads us to expect an expansion in our sales and distribution networks in the US and Europe. The global clinical trial of Sivextro® became a clear success in licensing-out as our partnership with Trius Therapeutics, a venture company, way back in 2007 has led to partnerships with Cubist, an antibiotics specialist, and Merck, a global company.

Q. What significance does the commercialization of Sivextro® have for the Korean pharmaceutical industry?

A. Korean companies are making rapid advances in their R&D capabilities, and Korea is now in the world's top ten for new drug development. Dong-A's development of Sivextro® will bring positive changes in the industry, especially at this time. It gives us great pleasure that our success proves that Korean companies can develop new global drugs through continuous investment in new drug development based on in-depth planning.

Sivextro® R&D History

- **2004**
Initiated non-clinical studies for Tedizolid Phosphate (DA-7218)
- **2006**
Completed non-clinical studies
- **2007**
JANUARY
Signed a licensing-out agreement with Trius Therapeutics of the US for the global market except Korea
- **2011**
JULY
Trius Therapeutics signed a sub-licensing agreement with Bayer for the development and sales rights in Asia, including China and Japan, and emerging countries (Partnering)
- SEPTEMBER**
Completed the first global phase III clinical trial for an indication of ABSSSI
- **2013**
MARCH
Completed the second global phase III clinical trial for ABSSSI indication
- SEPTEMBER**
Cubist acquired Trius Therapeutics
- OCTOBER**
Submitted an NDA to the US FDA
- **2014**
FEBRUARY
Accepted for review the MAA for an indication of ABSSSI by the EMA
- JUNE**
Obtained US FDA approval and launched the drug in the US market
- AUGUST**
Submitted an NDA in Korea
- DECEMBER**
Merck (MSD) announced the merger with Cubist

GLOBALIZATION

2014

**BUSINESS HIGHLIGHTS**

Dong-A Socio Group is looking to speed up our expansion into global markets, enabling us to move beyond the slow growth of the Korean market. The whole world will be our stage, and globally-renowned companies will be both our competitors and our collaborators as we strive for greater success.

In 1980, Dong-A Socio Group established a strategy to increase exports of pharmaceuticals ahead of other Korean companies. The Korean government's 2012 drug price cuts across the industry have resulted in fiercer competition and led to a structural difficulties and limited growth in the Korean pharmaceutical market. We have therefore turned our attention to global pharmaceutical market which is growing at 4 to 5% per annum. Based on the strong foundations given to us by the new holding company structure, Dong-A Socio Group has taken steps in 2014 that have enabled the Group to come closer to being a truly global company.

In 2014, Dong-A Socio Group focused on increasing exports, strengthening global networks, and fostering global experts. Both Korean and overseas economies continued to see low growth, and conditions in the pharmaceutical business were difficult. However, we were able to expand our presence in the global market through distinctive marketing strategies and outstanding products. We have also strengthened co-operation with pharmaceutical companies and universities overseas. One particular focus for the year was to hire and foster global talent, and as a result, we took further steps forward to become a global healthcare company.



LEADING
TO
NEW WAY



01

.....
Full Launch of
Global Biosimilar
Development

02

.....
Stronger
Global
Collaboration



03

Won the
'100-Million-USD
Pagoda of Export'

ON TRACK FOR GROWTH

Dong-A Socio Group has successfully expanded its global reach by focusing on the unique local health needs of each of its markets to deliver the solutions that improve quality of life. We are forming strong ties with global partners to help us realize our vision of becoming a global healthcare company.





01

Full Launch of Global Biosimilar Development

The construction of the DM Bio Plant, which is jointly invested by Dong-A Socio Holdings and Meiji Seika Pharma two leading pharmaceutical companies from South Korea and Japan, respectively, was completed in May 2014. DM Bio is located in the Songdo International Business District, part of the Incheon Free Economic Zone. The plant has world cutting edge bio-pharmaceutical production systems, complying with cGMP (current Good Manufacturing Practice). With the momentum, Dong-A Socio Group propels biosimilar business which has the source power of future development potential.

Dong-A Socio Holdings and Meiji Seika Pharma are planning to enter the Korean and Japanese markets with biosimilar products that they have jointly developed at DM Bio. The first candidate will be a biosimilar of Humira®, a rheumatoid arthritis treatment. For future development purpose, candidates for second phase are under discussion. The two companies plan to enter the global market in a phased manner, by utilizing their extensive experience of developing bio-pharmaceuticals and strong global networks. They are aiming at a phased business expansion, more than just Korea and Japan but into developed markets such as Europe and the US. This partnership will allow them to advance strategically into the fast-growing global bio-pharmaceutical market.

02

Stronger Global Collaboration

Entry into the Indonesian Market

In July 2014, Dong-A ST established a strategic alliance with Combiphar, an Indonesian pharmaceutical company, to boost the mid- to long-term growth of both companies. This alliance will help Dong-A ST to make a quick and efficient entry into the rapidly-growing Indonesian market, by effectively leveraging Combiphar's local sales network and sales capabilities. Combiphar will engage in the phased adoption of Dong-A ST's products, including ETC (Ethical) and OTC (Over-the-counter) drugs, and bio-pharmaceuticals. Dong-A ST will also transfer bio-pharmaceutical production technologies to Combiphar, which aims to utilize them to become a leading pharmaceutical company in Indonesia. This strategic alliance will not only drive Dong-A ST's growth in the Indonesian market, but will also have a significant role in the company's entry into Southeast Asian countries neighboring Indonesia.

Speedy Entry into the Chinese Market

The Chinese medical market is growing substantially every year, but has very complex product registration process and high entry barriers, due to policies designed to protect local Chinese pharmaceutical companies, making it a difficult market to get into. Nevertheless, Dong-A ST is looking to expedite its entry into the Chinese market based on the competitiveness of its diverse portfolio of in-house developed original drugs and bio-pharmaceuticals. In September 2014, Dong-A ST signed an exclusive sales contract with FarmaSino Pharmaceuticals of China for Gonadopin® NF (New Formulation), biological infertility treatment, for Chinese market. As a result, in the first half of 2015, FarmaSino will submit to the CFDA (China Food and Drug Administration) an application for permission for a clinical trial. It aims to release this product in the first half of 2020 after going through the clinical trials and product permission process. With the Chinese infertility treatment market growing by more than 20% every year, Dong-A ST expects this substantially contribute to export sales increase.

In March 2014, Dong-A ST signed a contract with the Chinese company Suzhou Sino Import & Export for the exclusive sales of Closerin[®], our tuberculosis treatment, in the Chinese market. Under this contract, the company will supply Closerin[®] for the next five years, with the supply amount reaching at least KRW 25 billion. Final approval for Closerin[®] in China was received at the end of 2014, so product sales can begin in 2015. The entry of Closerin[®] into the Chinese market was followed by the company winning the number one supplier position in the global business category of the International Tuberculosis Treatment Tender held by the WHO (World Health Organization) in January 2014. Both of these successes are a further proof of Dong-A ST's outstanding technology.

03

Won the '100-Million-USD Pagoda of Export'

The strategy of Dong-A ST to target overseas markets is leading to significant achievements. Exports grew from just KRW 19.5 billion in 2007 to KRW 117.2 billion in 2013, and in 2014, Dong-A ST won the '100-Million-USD Pagoda of Export' from the Korean Minister of Trade, Industry & Energy, after it achieved an export performance of USD 170 million for the period from July 1st, 2013 through June 30th, 2014. Dong-A ST CEO & President Chan-Il Park also received the Minister of Trade, Industry & Energy Commendation in recognition for his contribution to the national economy by pioneering new overseas markets.

2014 Key Achievements in Global Business

SOUTHEAST ASIA

- Established a strategic alliance with Indonesia's Combiphar
- Bacchus[®] enjoyed the largest share of the Cambodian energy drinks market for the second consecutive year

SOUTH AMERICA

- Launched Zyderna[®], an erectile dysfunction treatment, in Brazil
- Launched Bacchus[®], an energy drink, in Guatemala

CHINA

- Signed an exclusive sales contract with FarmaSino Pharmaceuticals for Gonadopin[®] NF (New Formulation), an infertility treatment, for Chinese market
- Signed an exclusive sales contract with Suzhou Sino Import & Export for Closerin[®], a tuberculosis treatment, for Chinese market

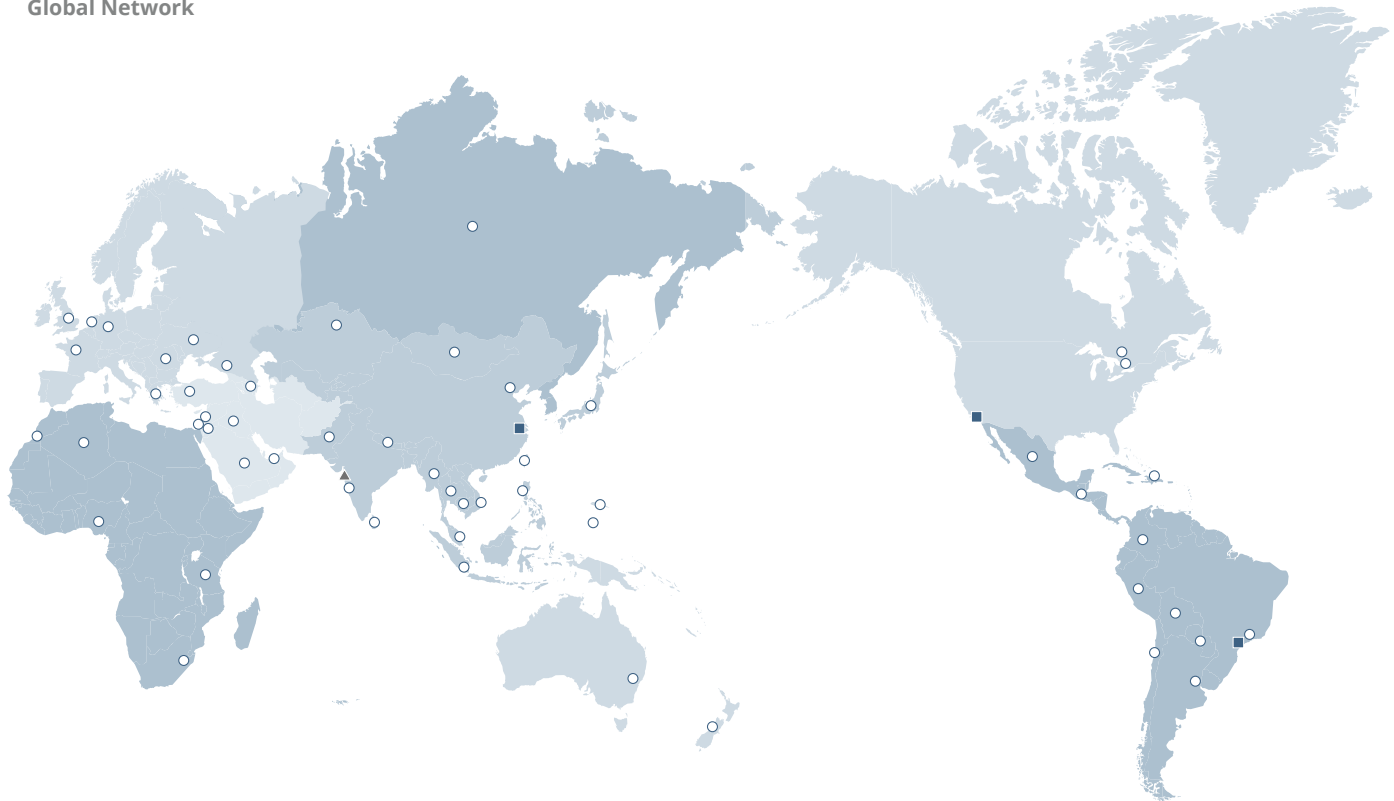
KOREA

- Completed the construction of the DM Bio Plant to develop bio-pharmaceuticals

Dong-A ST won the '100-Million-USD Pagoda of Export' from the Korean Minister of Trade, Industry & Energy in 2014 due to its excellent export performance.



Global Network



■ OVERSEAS AFFILIATES

US, Brazil, China

▲ LIAISON OFFICE

India

○ EXPORT COUNTRIES

North America

US, Canada

South America

Guatemala, Dominican Republic, Mexico, Bolivia, Brazil, Argentina, Chile, Colombia, Paraguay, Peru

Oceania

Guam, New Zealand, Saipan, Australia

Europe

Greece, Germany, UK, Romania, Netherlands, France, Turkey

Asia

Taiwan, Nepal, Malaysia, Mongolia, Indonesia, Vietnam, India, Japan, China, Cambodia, Thailand, Pakistan, Philippines, Myanmar, Sri Lanka

Middle East

Jordan, Saudi Arabia, UAE, Lebanon, Israel, Iraq

Africa

Nigeria, South Africa, Tanzania, Algeria (2015*), Morocco (2016*)

Russia/CIS

Russia, Kazakhstan, Georgia, Ukraine, Azerbaijan

* Expected year to enter

INSPIRATION

2014

—————>
CSR HIGHLIGHTS

The word 'Socio' in Dong-A Socio Group's name means 'society' in Latin, reflecting our determination to contribute to society. Dong-A Socio Group implements sustainability management to put this commitment into practice and to achieve sustainable growth.

The spirit on which Dong-A was founded is to contribute to the health of the nation by creating good medicine; this commitment has developed into a belief that our business activities must go beyond just generating profits, and should create social and environmental value. We therefore faithfully take our responsibility to respect life, people and the environment.

In 2014, we focused on improving corporate ethics and fulfilling our social responsibilities in an effort to become a world-leading company that is respected for innovative pharmaceuticals. Achievements included the strengthening of our CP (Compliance Program), as a good CP is a prerequisite for a global pharmaceutical company. We also sought to increase shareholder value and improve customer satisfaction, despite the difficult business environment. As a pharmaceutical company that is closely connected to the lives and health of people around the world, we did our utmost to carry out social contribution activities. Dong-A Socio Group has supported the under-privileged in Korea, and is now expanding the scope of its global CSR (Corporate Social Responsibility) activities to include Mongolia, Myanmar, and countries in Africa. As well as contributing to the health of mankind through new drug development as a healthcare company, we will continue to carry out wide range of sustainable management activities, contributing to creating a healthier society.



HAVING
NEW
PERSPECTIVES

01

Ethical Value

02

Shareholder value

04

Social Value

05

HR Value

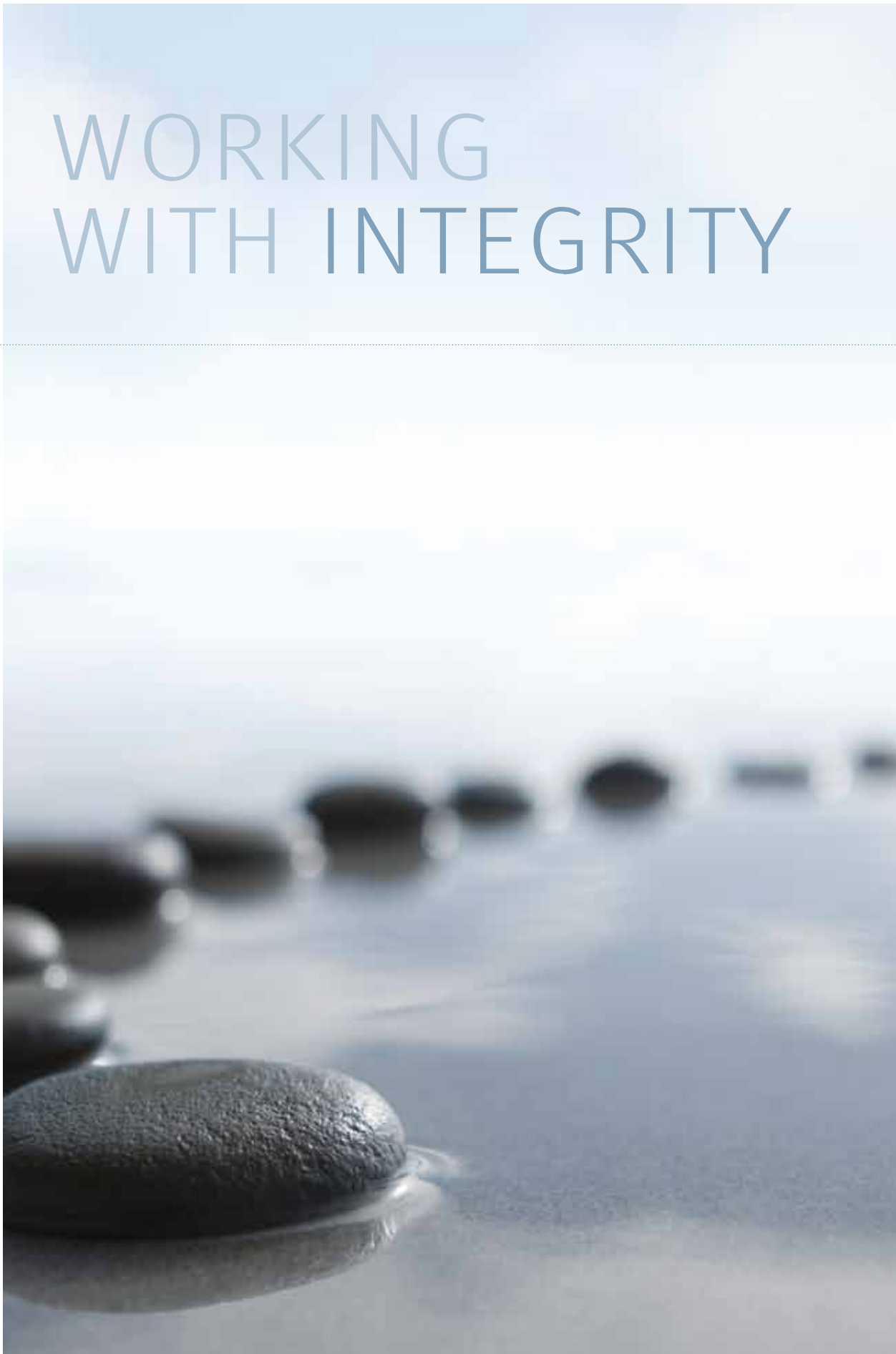
03

Customer Value

06

Green Value

WORKING WITH INTEGRITY



Ethical Value

Dong-A Socio Group practices ethical and transparent management so that we can fulfill our responsibilities as a company that contributes to society by upholding the spirit of respect for life, mankind, and the environment.



A ceremony to declare stronger CP

Culture of Ethics

Dong-A Socio Group encourages all staff members to adhere strictly to high ethical standards. In line with this, we have enacted a code of ethics and developed an ethics management system, in order to set the criteria for ethical management. Also, by implementing training programs and ethics campaigns, we are fully embedding ethical management into our corporate culture.

Dong-A Socio Group has enacted a strict code of ethics as part of its efforts to build a healthy organizational culture. The code of ethics reflects the needs of our stakeholders, and serves as a guideline for our internal and external dealings. Staffs at Dong-A Socio Group earn the trust of stakeholders and wider society by actively abiding by this code of ethics.

Compliance Program

Dong-A first adopted its CP (Compliance Program) in September 2007, and continues to train and monitor staff concerning fair trade-related regulations. In 2014, Dong-A ST strengthened its compliance activities, in line with stricter government regulations on pharmaceuticals marketing and the rapid changes in the pharmaceutical environment. It also focused on establishing a company culture of compliance.

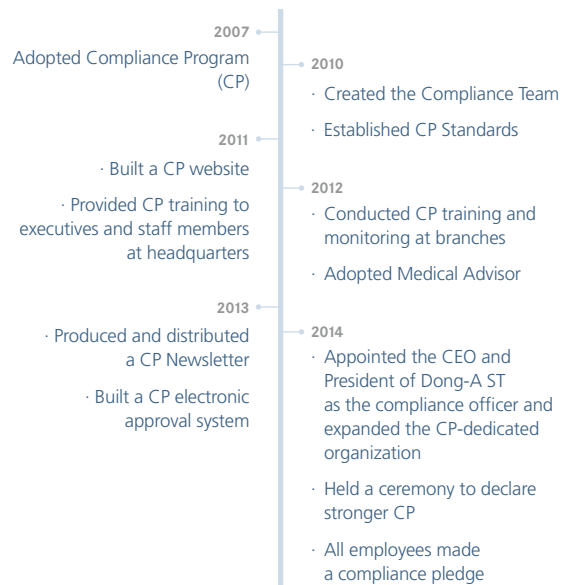
In 2014, Dong-A ST overhauled its compliance organization to improve compliance management, and undertook activities to satisfy the seven major compliance factors contained in the Regulations on Compliance Program Operations and Incentives. In particular, the Compliance Team, which had previously been part of the Audit Department, became the Compliance Management Department in July, making it a separate and independent department under the direct control of the CEO. Dong-A ST's Compliance Management Department is the largest CP organization of any pharmaceutical company in Korea. In October, the CEO & President of Dong-A ST was appointed as the Compliance Officer, with overall responsible for the control and operation of the CP. In December, a ceremony took place to share the strengthening of the CP with staff, and to encourage them to pledge company-wide commitment to the best practices in compliance.

The Compliance Management Department held a total of around 70 CP training sessions for sales and sales support departments at all branches in 2014. The number of departments subject to monitoring was expanded, and the internal supervision system was strengthened. Dong-A ST has also included evaluation on CP observance in its performance assessments, so that there are incentives as well as disciplinary regulations to encourage adherence to its CP.

Future Plans

Compliance management is a prerequisite for developing into a global pharmaceutical company. Dong-A ST will therefore continue to formulate the CP and risk management strategies that will create a global standard CP. In 2015, it will apply for a CP rating evaluation from the Fair Trade Commission, which will then give the company an evaluation of its CP status and performance.

Compliance Milestones



Shareholder Value

Dong-A Socio Group aims to carry out comprehensive and open IR activities to develop a relationship of trust with investors, and to maximize shareholder value based on that relationship.



Investor Relations

IR (Investor Relations) refers to two-way communication between a company and its investors for the impartial evaluation of corporate value. Dong-A Socio Group's IR activities are based on three core values – developing expertise, clear communication, and establishing investor trust.

In 2014, we had a total of 146 corporate visits and held quarterly conference calls and NDRs (Non-Deal Roadshows) on corporate performance for analysts and institutional investors. In order to protect investors from information asymmetry, we simultaneously provide IR materials and information to all relevant parties. In addition to regular shareholders' meetings and NDRs, we held individual NDRs in response to investor requests. We also participated in corporate days held by major securities firms, and met with more than 50 institutional investors in Korea and abroad.

IR Communication Channels

Dong-A Socio Group operates transparent and systematic internal and external IR communication channels. Our internal IR Council takes place before every quarterly performance announcement, and staffs from key departments meet to share information on major issues. After the performance announcements, Dong-A Socio Group's top management and senior executives get feedbacks and requirements from the market and investors. The IR Team works closely with the Public Relations Team to share the accurate and same information, and to immediately deliver all relevant information and feedback to senior executives. We also hold an annual Analyst Day, with participation by key executives, to enable quick responses to changes in the market environment, and to identify industry trends. In addition, we attend industry forecast seminars, lectures, and activities for staffs in charge of stocks in pharmaceutical industry, which helps us to build networks and share information.

Disclosure of IR Materials

Dong-A Socio Group delivers important information on the Group quickly and accurately via fair disclosure. IR materials are posted on our website to ensure the transparent sharing of information. Dong-A Socio Group is the only Korean pharmaceutical company to publish an annual report in English every year. Our 2013 Annual Report won the Gold Award in the pharmaceuticals category at the 2013 LACP Vision Awards, and ranked 76th among the Global Top 100 Annual Reports. In addition, it won the Gold Award in the pharmaceuticals category of Traditional Annual Reports at the 2014 ARC Awards, and the Honorary Award in the pharmaceuticals category for Interior Design. In Korea, it received the Best Overseas PR Material Award (Korea Business Communication Association President's Award) at the 2014 Korea Business Communication Awards, organized by the Korea Business Communication Association.

IR Activity Training

Dong-A Socio Group promotes the best in IR by training staff on the IR principles that must be observed by listed companies, and desirable IR activity models. In 2014, we offered various training programs through the Korea Listed Companies Association to develop our staff's knowledge of securities-related regulations and practices, which is essential for staff involved in stock markets and associated public disclosure. There were also training sessions, including an IR expert certification course and a session on overseas IR, provided by the Korea Investor Relations Service to improve our IR capabilities. Other efforts to improve our IR expertise included special seminars and regular lectures that were aimed at assessing capital market and IR trends.

Customer Value

By offering outstanding products and distinctive services that our customers can rely on, Dong-A Socio Group creates customer value and grows into the leader in customer trust.

Customer-Centered Management Philosophy

Dong-A Socio Group moves one step ahead on behalf of our customers. To become a global healthcare company, we target global markets by strengthening our market analysis capabilities, so that we can develop products that satisfy customer needs, and supply those products at the right time, in the right place. Dong-A Socio Group is developing high value-added products from a customer perspective, and strengthening service by on-site customer management, thus improving our customer service and corporate competitiveness.

Customer-Centered Management System

Dong-A Socio Holdings has handled all customer-related business as a whole as it mapped out the overall organizational structure of the Group and defined a vision for the Group's growth since the demerger in March 2013. In July 2014, customer-related work previously managed at the holding company level was separated into dedicated departments at Dong-A ST and Dong-A Pharmaceutical in order that we could build up our expertise in all areas related to our customers, and to ensure the best in on-site customer management. Dong-A ST's Customer Satisfaction Team looks after doctors/hospitals, pharmacists/pharmacies, and patients who take ETC (Ethical) drugs. Dong-A Pharmaceutical's Customer Satisfaction Team looks after pharmacists/pharmacies and consumers. Each company handles customer opinions as a way of focusing on customer service and preventing complaints, thereby increasing trust in our companies and products.

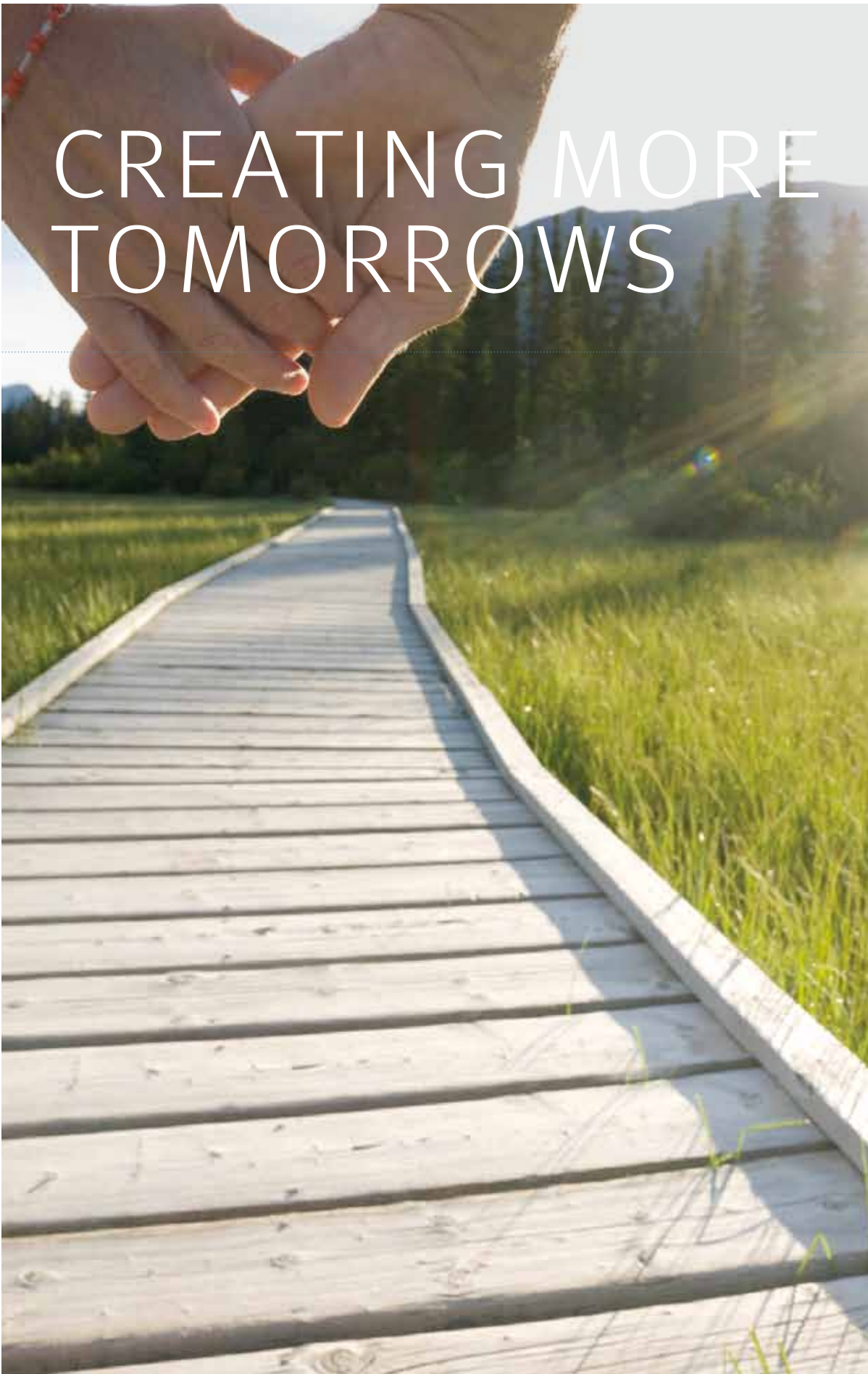
In 2014 after the establishment of our holding company structure, Dong-A Socio Group, its affiliates, and partner companies all got together to hold a meeting about win-win co-operation. This meeting provided an opportunity for participants to look jointly at measures that could enhance customer trust through quality improvement, and to promote shared growth through information and technology exchange. In addition, we held regular meetings with partner companies to identify the causes of any customer complaints, and to share opinions on measures that could prevent recurrence of those complaints.

CCM (Consumer-Centered Management) system was introduced in 2010, and in 2014, Dong-A Pharmaceutical created a Customer Satisfaction Department under the direct control of the CEO, and appointed a Chief Customer Officer at its head. The CEO can thus receive direct reports on customer opinions, and reflect those opinions in the management of the company. This customer-centered structure is raising awareness of customer rights and requirements, and improving our products and service levels from a customer perspective.

The Fair Trade Commission and the Korea Consumer Agency acknowledged these efforts to promote customer rights and interests by recognizing Dong-A Pharmaceutical as a CCM-certified company once again in 2014, as well as in 2010 and 2012. CCM is a system whereby companies are evaluated on whether they operate from a customer perspective, and whether they are continually improving in the relevant business activities.

Dong-A Socio Group will continue to engage in the company-wide development of CCM systems and programs that suit the characteristics of the pharmaceutical industry, and that will help us to achieve ever-greater customer satisfaction. We will also share our CCM skills with partner companies, to promote joint growth with them and the entire pharmaceutical industry.





Social Value

Dong-A Socio Group carries out a wide range of CSR activities, such as supporting future talent, volunteer work and sponsorships, in order to shape a healthier society and a better future.



Social Contribution Events

Dong-A Socio Group does more than just sponsor CSR (Corporate Social Responsibility) activities – we plan and host our own events. These include ‘Tour Korea for College Students’ and ‘Classes for Youth on Caring for the Environment and Life’.

Dong-A Pharmaceutical’s Tour Korea for College Students

‘Tour Korea for College Students’ is an event at which 144 college students walk a total of around 600 kilometers over 21 days. The participants gain a sense of confidence and accomplishment as they overcome their difficulties and complete the tour. We have held the tour since 1998, so 2015 will mark the tour’s 18th anniversary. Every year, around 10,000 students apply to participate, proving that the tour has become a symbol of the commitment of young people to good causes. As of the end of 2014, the total number of participants reached 2,425 persons, and the cumulative distance was 9,829 kilometers.

Class for Youth on Caring for the Environment and Life

This five day class is designed to teach 50 junior high school students how precious the environment is, and ways to protect it. First run in 2004, it has contributed to helping participants learn the value of nature and life. Another objective of the class is to encourage participants to share the importance of environmental protection with their friends and family.

Staff Volunteering Activities

Dong-A Socio Group’s staff participate in a wide range of volunteer work based on the corporate motto of ‘creativity, collaboration, and community service’, to realize the value of co-prosperity.

Baffor Sharing Volunteer Work

Dong-A Socio Group’s volunteer team has been active in the ‘Baffor Sharing Campaign Headquarters’, a soup kitchen run by the welfare group Dail Community Foundation, since 2005. The volunteer team visits the soup kitchen every December to help prepare food for around 800 people; it then distributes the food, and cleans up afterwards. The

Baffor Sharing volunteer work has become part of our new employee training program from 2014.

Doori Volunteer Team

Dong-A ST’s labor union created the ‘Doori Volunteer Team’ in 2014. This team repairs houses to improve the living conditions of people on low incomes, and also delivers coal briquettes to help the under-privileged stay warm in winter. ‘Doori’ is a Korean word that translates as ‘surrounding’ – it embodies the volunteer team’s determination to look after those around us in most need, and to practice the spirit of sharing.

Sponsorships

Dong-A Socio Group is committed to helping the under-privileged, and also sponsors various sports activities, including golf and baduk. In addition, as a pharmaceutical company, we donate our pharmaceuticals to those in need.

Love Sharing Bazaar

Every May, Dong-A Socio Group holds the ‘Love Sharing Bazaar’, at which our products are sold at low prices to local residents and employees. Proceeds are used to provide rice and coal briquettes to low-income families, seniors living alone, and the under-privileged in the Dongdaemun-gu area of Seoul. In 2014, proceeds totaling around KRW 60 million were donated to the Dongdaemun-gu Social Welfare Council.

Donations to Neighbors in Need

Dong-A Pharmaceutical’s Icheon Plant collects donations from staff to help neighbors in Icheon City. Donations totaling around KRW 2 million have been collected over the last two years, starting in 2013, and donated to Icheon City Hall.

Bacchus® Cup Junior Golf Team Championship

Dong-A Socio Group has held the ‘Bacchus® Cup Junior Golf Team Championship’ since 2005, with the aim of fostering talented young golfers. The Championship is held every May, and around 200 elementary, junior high, and high school students from all across the nation participate. Chairman Shin-Ho Kang received a special plaque of appreciation from the Korean PGA (Professional Golfers’ Association) on behalf of the Group in December 2014, in recognition of our efforts to develop golf in Korea.



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

The 'Bacchus® Cup Korea-China Chunwon Title' competition aims to contribute to the development of baduk and promote good game etiquette. It was the first professional baduk competition to be sponsored by a company, and is a great favorite of baduk fans. The competition was founded in 1983, as the 'Bacchus® Cup Professional Baduk Competition', to celebrate the 50th anniversary of the founding of the Dong-A Socio Group; it was renamed the 'Bacchus® Cup Chunwon Title' in 1996 and reborn as the Bacchus® Cup Korea-China Chunwon Title in 2013, where professional baduk players from Korea and China compete. The competition is contributing to the development of baduk into a popular sports game.

Garglin® Cup Professional Women's Baduk Championship

Dong-A Socio Group has sponsored the 'Garglin® Cup Professional Women's Baduk Championship' since 1994, to increase the number of women playing baduk and to support professional women baduk players. The Championship has produced many talented baduk players, and has also performed a significant role in raising awareness of the Garglin® brand.

Sponsorship of the Korea-Japan Festival

Dong-A Socio Group has sponsored the 'Korea-Japan Festival', a volunteer cultural exchange event held by citizens of Korea and Japan, since 2009. It is held simultaneously in both countries every September, and contributes substantially to improvements in bilateral relations through cultural exchange.

Donation of Bacchus®

Dong-A Socio Group donated 30,000 bottles of Bacchus® to the Korean Red Cross in December 2014. This donation was to encourage volunteers who were working to help the under-privileged. Dong-A Socio Group plans to make the same donation annually each December 5th, which is the 'International Volunteer Day'.

Donation of Human Growth Hormone

Dong-A Socio Group has been donating Growthropin®, a human growth hormone, to children from low-income families since 2013. This is to help children from low-income families who need growth hormones, but cannot receive treatment due to financial difficulties. The choice of the family to receive the donation is made after recommendations by the Hanmaeum Social Welfare Foundation.

Supporting the Medicine Cost of Cancer Patients from Low Income Backgrounds

In 2014, Dong-A Socio Group signed a memorandum of understanding with the Korea Medical Assistance Foundation whereby we gave KRW 100 million to the Foundation to support the medical fees of patients from low-income backgrounds who were prescribed Glinib®, an anti-cancer medicine.

Global CSR

Dong-A Socio Group undertakes various CSR activities in countries where we operate our business. These activities have been related to the pharmaceutical industry, such as providing scholarships to medical and pharmacy students. Dong-A Socio Group is thus not only improving the perception of the Group in these countries, but also helping talented people who want to get a better education about pharmaceuticals and medicine to realize their dreams.

Myanmar

Dong-A Socio Group provided a total of USD 4,000 to eight students attending the University of Pharmacy, Yangon, in Myanmar in 2014. There was also a lecture on pharmacy for students attending the University; this lecture was well received, as it dealt with subjects that are not always taught at school, such as the development of new drugs, phytomedicines, and bio-pharmaceuticals, with a focus on actual cases. We plan to hold another lecture in 2015 on subjects that will help pharmacy students in Myanmar.



Mongolia

Dong-A Socio Group has been providing scholarships to students studying medicine and pharmacy at the Mongolian National University of Medical Sciences since 2013. We plan to provide scholarship funds of USD 1,000 each to ten students in 2015.

Liberia

The 'Bacchus® Taekwondo Championship' was held in Liberia in January 2014, with sponsorship from Dong-A Socio Group. We provided funds to cover the Championship's operating expenses, trophies, award certificates, prize money, and Bacchus® products, with the aim of publicizing Taekwondo, one of the national sports of Korea, and to raise awareness of Dong-A Socio Group in Liberia.

Burundi

In March 2014, Dong-A ST gave sponsorship worth KRW 50 million to the 'TV of Hope, SBS Medical Expedition' to Burundi, organized by SBS (Seoul Broadcasting System), World Vision, and the Gangnam-Gu Medical Association.

Sooseok Cultural Foundation

The Sooseok Scholarship Association was established in 1987 by Dong-A Socio Group Chairman Shin-Ho Kang. The Sooseok Cultural Foundation was created in 1992, the year of our 60th anniversary, through the revamping of the Sooseok Scholarship Association. The Sooseok Cultural Foundation has a scholarship program and other various programs that are aimed at promoting academic and cultural activities.

Scholarships

The Sooseok Cultural Foundation provides scholarships to high school and college students to support responsible and talented young people. As of the end of 2014, the Foundation has provided scholarships to around 1,600 students, totaling some KRW 2.4 billion in value.

Academic Program

The Sooseok Cultural Foundation presents the 'Hamchun Dong-A Medical Science Award' every December to scholars who have contributed to medical development. It began in 1993 as an award sponsorship from the alumni association of Seoul National University's College of Medicine; it was named the 'Hamchun Medical Science Award' in 2009 and then renamed the 'Hamchun Dong-A Medical Science Award' in 2010. Sponsorships totaling KRW 30 million are given every year.

Dong-A Socio Group also sponsors the 'Excellent Pharmacist Award', which is presented every February by the Korean Pharmaceutical Association to encourage excellence at pharmacies. There is one award in each of five categories – drugstore pharmacist, public service, community service, pharmaceutical association development, and pharmacy research. Each winner is presented with 75 grams of pure gold and a trophy.

Cultural Program

The Sooseok Cultural Foundation has been sponsoring the 'Marronier Women's Composition Contest' since 1992, to increase the number of women authors and to promote literary and creative activities by women. Hosted by the Arts Council Korea, the Contest has three categories – poetry, prose, and children's literature. The prize winners in each category are then supported in making their official debut as a writer.

Publication Program

The Sooseok Cultural Foundation first published the pamphlet '3,000 Chinese Characters Used in Daily Life' in 2006, and continues to distribute it for free to schools, companies, and other educational and charity groups. The total number of copies distributed by the end of 2014 has reached 34,000.

HR Value

Based on the belief that a company is built on its talented people, we strive to recruit outstanding people who are suited to a global healthcare company, and provide them with optimal opportunities to grow into leading experts.



Status of Experts

The number of employees at Dong-A Socio Group is rising steadily. At the end of 2014, the number of employees at the three major affiliates of the Group totaled 2,563 – 360 at Dong-A Socio Holdings, 1,582 at Dong-A ST, and 621 at Dong-A Pharmaceutical. There were 179 pharmacists, accounting for 7.0% of total personnel. In addition, there were a total of 341 R&D personnel at Dong-A Socio Holdings and Dong-A ST, accounting for 13.3% of total personnel. This reflects the increasing number of R&D personnel in the Group, up from 309 in 2012 and 337 in 2013.

Recruitment, Wage Structure, and Benefits

Dong-A Socio Group impartially recruits outstanding people through both rolling recruitment and formal semi-annual recruitment processes for college graduates. In 2014, we recruited 93 college graduates through the formal recruitment processes. In addition, a global internship program was offered to 25 foreign undergraduates residing in Korea; this will help us to foster global experts, strengthen the global mindset of all our employees, and place experts in their respective countries over the long term.

In 2008, Dong-A Socio Group changed its salary system from a seniority-based to a performance-based system, to ensure that employees are fairly compensated based on their performance. We offer participation in the four major public insurance schemes, and we also provide comprehensive health support for employees and their families, as well as help in the education of their children and support for post-retirement. These measures help our staff to achieve a balance between their work and personal lives in a more stable employment environment.

Human Resources Development Program

In 2014, we offered a total of 55 courses at the Group level, including courses on leadership, work duties, and basic job skills. Dong-A ST has created the MR Academy course for our Medical Representatives, to strengthen their sales capabilities.

We held special lectures to improve our marketing skills, and seminars to improve executives' insights into management. We also set up the 1st Global Business Preparation course as part of our efforts to foster global experts with greater language, business, and cross-cultural skills.

In addition, the 'Credos' Club' was opened, and provides a special place of communication where staff can share their talents and training. Our 'D-Pride Training' strengthened staff loyalty and the sense of ownership within the Group. We also offered programs for the children of staff, such as the 'Global Camp for College Students' to develop a global mindset, and the 'Phoenix Camp' to cultivate strong personality.

A Great Place to Work

Dong-A Socio Group focuses on creating a great place to work, so that our talented staff can achieve the best possible results by exercising their skills effectively.

Since 2010, we have had in place a mentoring program for new employees. We also focusing on improving the physical work environment for the benefit of our staff; as part of these efforts, we have created 'stairs that people want to walk on' and operated a café for rest and relaxation. We have a 'Healthy Place to Work' campaign, which involves checking the health of staff on a monthly basis, and maintain a strong anti-smoking campaign.

People of Dong-A



Green Value

We recognize how important a clean, green environment is for people to lead healthy lives. That is why we do our best to create a greener future value for both the environment and mankind.



Practicing Green Management

Under the Basic Law on Low Carbon and Green Growth, companies that emit GHG (Greenhouse Gas) above a certain level are required to participate in the government's GHG management scheme. Dong-A does not exceed these criteria, so the company has no obligation to adopt a specific emissions reduction goal, or to report its emissions and other relevant matters. In addition, we are not required to receive green company certification. Notwithstanding, Dong-A Socio Group encourages staff members to practice green management in both their work and their personal lives. We are implementing eco-friendly management throughout the company's value chain, ranging from product development to production, sales, disposal, and recycling. We do so based on a resolute environmental management philosophy, and backed by a systematic environmental management system.

In 2014, for the second consecutive year, Dong-A Pharmaceutical was appointed honorary ambassador to Climate Change Week, hosted by the Korean Ministry of Environment and the Greenstart Network. This is thanks to the 'Tour Korea for College Students' which we launched in 1998 – through this event, we have raised awareness of how important our land and the environment are, and have promoted a green lifestyle.

Energy Reduction Campaign

Dong-A Socio Group has built a strategic energy monitoring system, and actively participates in the government's energy-saving campaigns to prevent energy wastage and improve efficiency. As part of these efforts, we maintain our indoor temperature at 18°C during winter and 25°C in summer. Computers and indoor lighting are turned off during lunch hours. Power-saving technology is used for drinking water, and soft water pump inverters help to minimize unnecessary energy usage. We have installed highly efficient boilers, and operate chilled water storage systems in the summer. In addition, large-capacity compressors have been replaced with small, high-efficiency compressors, thus boosting our energy efficiency.

Water Quality Management

Dong-A conducts initial physical and chemical treatment of all organic solvent waste water generated during the drug synthesis stage, to improve water quality. This is followed by secondary biological treatment, to ensure that waste water falls within legally-permitted levels before it is discharged. For the initial physical and chemical treatment, we use a pressure flotation system that can treat a maximum of six tons of waste water per day. We plan to improve the facility to treat 40 tons per day. We also regularly conduct water quality inspections. Every month, we request an external professional organization to measure water quality and manage the relevant information.

Waste Management

As part of our efforts to ensure the eco-friendliness of all our processes, we systematically manage waste reduction, treatment, and recycling. The organic solvents generated during our manufacturing processes are discharged separately. For waste treatment, we contract professional companies which specialize in waste management.

Management of Harmful Chemicals

Dong-A strictly observes all legal and regulatory standards, and registers all items containing harmful chemicals, which are then handled in accordance with Article 24 of the Toxic Substance Management Act. After registering the items, we store them separately in toxic substance storage areas or in outdoor tanks. We also maintain a harmful chemicals management manual, to ensure the systematic management of such chemicals.

1932-1958

The Prelude of Dong-A

1932

Choong-Hee Kang's Wholesaler, a pharmaceutical and hygiene material wholesaler, began operations in Joonghak-dong, Jongro-gu, Seoul, Korea

1947

Pharmaceutical business began full operation

1949

Changed name to Dong-A Pharmaceutical Corporation

1957

Constructed modern facility, headquartered in Yongdu-dong, Dongdaemun-gu, Seoul, Korea
- Manufactured antibiotics, such as Penicillin®

1959-1974

Modernization of Pharmaceutical Business

1961

Began manufacturing Bacchus®

1964

Bacchus® ranked first in domestic tonic market

1967

Ranked first in sales among domestic pharmaceutical companies

1970

IPO (Initial Public Offering)

1975-1992

Establishment of Growth Foundation

1977

Established a research center in Yongdu-dong, Dongdaemun-gu, Seoul, Korea

1979

Developed the world's third antibiotics, Talampicillin®

1988

Released AIDSIA®, Korea's first ever first-generation AIDS diagnostic reagent
- Constructed the industry's first KGLP (Korea Good Laboratory Practice)-compliant research center in Sanggal, Gyeonggi, Korea

1991

Received the IR52 Jang Young Shil Award for AIDSIA®

1993-1999

Overcoming Obstacles by Working Together

1993

Developed Growspin®, a first-generation biomedicine and human growth hormone

1994

Released Interferon-alfa™, a first-generation biomedicine and multiple myeloma treatment
- Developed the world's first simultaneous diagnostic reagent for AIDS and hepatitis C

1995

Bacchus® became Korea's first single pharmaceutical product to achieve sales of KRW 100 billion

1997

Became the first company in Korea to develop a tuberculosis treatment, Closerin®

1999

Released Leucostim®, a first-generation biomedicine and neutropenia treatment, and Eporon®, a renal anemia treatment

2000-2007

Becoming an R&D-centered Pharmaceutical Company

2001

Received the Excellent Shareholder Focused Management Award

2002

Released Stillen®, Dong-A's first in-house developed original drug and a phytomedicine for gastritis

2005

Released Zyderna®, Dong-A's second in-house developed original drug and an erectile dysfunction treatment

2006

Released Gonadopin®, a first-generation biomedicine and infertility treatment

2008-2012

Challenging to Become a Global Company

2010

Entered into a comprehensive business agreement with GSK (GlaxoSmithKline) of the UK

2011

Released Motilitone[®], Dong-A's third in-house developed original drug and a phytomedicine for functional dyspepsia

- Signed a comprehensive business alliance contract on biosimilars with Meiji Seika Pharma of Japan

2012

Began the construction of the DM Bio Plant in Songdo, Korea in conjunction with Meiji Seika Pharma

- 80th anniversary of the foundation of Dong-A

2013-2014

The Next Chapter

2013

Dong-A Socio Holdings

Signed a comprehensive business alliance contract with MEIC of Mongolia

- Demerged into three new companies – Dong-A Socio Holdings (the renamed existing entity), Dong-A ST (a stock spin-off entity), and Dong-A Pharmaceutical (an asset split-off entity)

- Signed a joint R&D contract with the JCB (Joint Center for Biosciences) Research Institute of the US on the AB-204, BMP (Bone Morphogenetic Protein)

- Established a Korea's first dementia research center

Dong-A ST

Received an IND (Investigational New Drug) application approval for a phase II clinical trial of DA-9801, a diabetic neuropathy, from the US FDA (Food and Drug Administration)

2014

Dong-A Socio Holdings

Completed the construction of the DM Bio Plant

- Signed an MOU (Memorandum of Understanding) with the University of Freiburg in Germany on joint research of dementia and anti-cancer treatments

- Received holding company approval from the Fair Trade Commission

Dong-A ST

Obtained US FDA approval and launched Sivextro[®] (DA-7218, Tedizolid), an oxazolidinone class antibiotic, in the US by Cubist

- Signed a strategic alliance contract with Combiphar of Indonesia

- Secured Korean MFDS (Ministry of Food and Drug Safety) approval for Dulastin[®], DA-3031 (PEG-G-CSF), a long-acting bio-pharmaceutical drug for neutropenia



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TO LEAD THE WAY ON TRACK FOR
GROWTH STRONGER GLOBAL TIES
REACH NEW HEIGHTS SEE BIGGER
PICTURE WORKING WITH INTE
GRITY CREATING MORE TOMORRO
W TO LEAD THE WAY

DONG-A SOCIO HOLDINGS

PICTURE WORKING WITHIN
GRITY CREATING MORE TOMOR
TO LEAD THE WAY ON TRAC
FOR GROWTH STRONGER GLO
TIES REACH NEW HEIGHTS SEE
BALANCING GLOBAL AND LOCA
BIGGER PICTURE WORK MORE

ORGANIZATION STRUCTURE

Dong-A Socio Holdings has ten subsidiaries as of the end of 2014, operated in four strategic business units – pharmaceuticals, logistics, bottle glass, and others. The business units are operated separately because they provide different products and services, and required skills and marketing strategies are different.

Dong-A Socio Holdings creates the overall organizational structure, to enable the Group's affiliates in various business areas to create synergy, based on which it identifies measures to achieve joint growth.



(Unit: KRW billion)

	BUSINESS AREAS	ESTABLISHMENT	SALES	OPERATING PROFIT MARGIN (%)	TOTAL ASSETS
Dong-A Socio Holdings	R&D of new innovative drug and new business investments	December 1932	72.2	7.5	604.3
Dong-A Pharmaceutical	Manufacture of OTC (Over-the-counter) drugs, quasi-drugs including Bacchus® and consumer healthcare products	March 2013	348.5	11.5	131.0
ST Pharm	Manufacture of APIs (Active Pharmaceutical Ingredients)	August 2008	96.5	10.1	142.4
Yong-Ma Logis	Logistics and storage	February 1979	135.5	4.5	106.9
Soo Seok	Manufacture of bottle glass and PET	September 1969	73.5	8.3	118.9

*As of December 31, 2014; Separate figures

Dong-A Socio Holdings

PHARMACEUTICALS



Dong-A Socio Holdings defines the overall vision of Dong-A Socio Group, formulates strategic goals, and sets plans for new business investments, in order to lay the foundations for the Group's development into a global healthcare company.

Dong-A Socio Holdings officially became a holding company pursuant to the Monopoly Regulation and Fair Trade Act on October 30th, 2014.

Key Achievements

Based on consolidated financial statements, Dong-A Socio Holdings' sales rose 10.5% year-on-year, to reach KRW 630.6 billion in 2014. Its major affiliate, Dong-A Pharmaceutical, led this growth by posting sales of KRW 348.5 billion, thanks to the company's distinctive products and marketing. ST Pharm, a company which specializes in APIs (Active Pharmaceutical Ingredients) on outstanding quality system, also contributed to growth by recording sales of KRW 96.5 billion, a year-on-year increase of 14.6%. Yong-Ma Logis, a logistics specialist, and Soo Seok, a manufacturer of high-quality, eco-friendly bottle glass, posted sales of KRW 135.5 billion and KRW 73.5 billion, respectively, up 8.7% and 7.3%, indicating continued balanced growth across Dong-A Socio Holdings' major subsidiaries.

Key Figures

(Unit: KRW billion)

Total Assets	1,081.1
Sales	630.6
Operating Profit	20.8
Operating Profit Margin	3.3%
Net Profit	6.4
Net Profit Margin	8.8%

* As of December 31, 2014; Consolidated figures

Operating profit, however, was down 38.1% year-on-year, to KRW 20.8 billion. This was mainly attributable to initial costs incurred from starting our new biosimilar business.

Dong-A Socio Holdings established DONGCHEONSU, a mineral water company, in July 2014; it plans to leverage the achievements of Dong-A Otsuka, an existing affiliate of Dong-A Socio Group in the mineral water market, to generate synergy between the two companies. By doing so, Dong-A Socio Holdings will expand its market dominance and secure a new revenue source.

Future Plans

Dong-A Socio Holdings will focus on increasing sales and developing drivers for new growth at the Group level. To this end, it will implement a wide range of organic and inorganic growth strategies, including expanding sales base in global markets and exploring company acquisitions.

Research Center of Dong-A Socio Holdings

The core of Dong-A Socio Holdings' R&D is the development of future growth drivers, including bio-pharmaceuticals, innovative new drugs, and dementia medication. At the center of the company's advanced Research Center, there are Innovative Drug Discovery Research Laboratories, Bio-pharmaceutical Research Laboratories, Dong-A Dementia Center, and Research Planning Management Department.

The Innovative Drug Discovery Research Laboratories is developing new mechanism targeted medicines for diseases that are difficult to treat, and aims to develop new innovative drugs that are genuine 'The first', completely different from existing ones. It is building an open innovation platform with universities and research institutes in Korea and abroad, to establish a one-stop research structure that supports everything from the discovery of new drug targets to drug verification and development. In 2014, it

R&D Personnel

113

Persons

* As of December 31, 2014

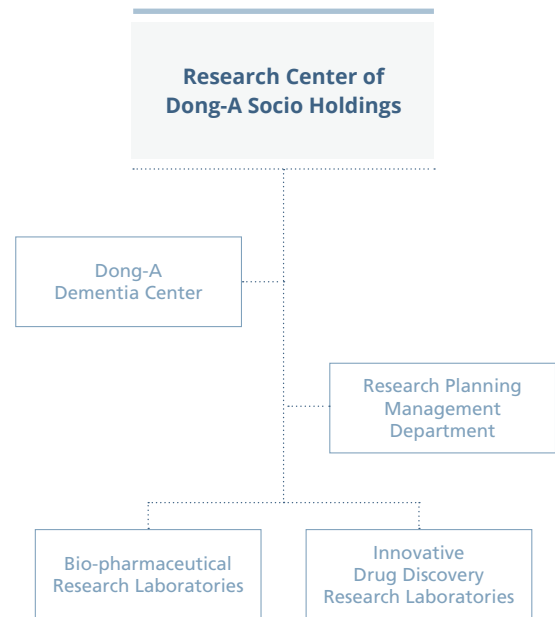
signed an MOU (Memorandum of Understanding) with the University of Freiburg in Germany on conducting joint research into epigenetics-based anti-cancer dementia drugs. This partnership will serve as a base for future technology transfers and business alliances in the global market.

The Bio-pharmaceutical Research Laboratories is the heart of the company's own specialized bio-pharmaceutical development technologies and experience, accumulated through the development of first-generation bio-pharmaceuticals including human growth hormones, neutropenia drugs, and infertility treatments. It focuses on biosimilars and bio-pharmaceuticals which are the Group's future growth engines. DMB-3111, a biosimilar of Herceptin® for a breast cancer, is being jointly developed with Japan's Meiji Seika Pharma. A phase I clinical trial was completed in Japan in 2014, establishing a base for entry into the Korean, Japanese and other global markets. As a follow-up project, the Laboratories is conducting research and development into DMB-3113, a biosimilar of Humira® for a rheumatoid arthritis.

The Dong-A Dementia Center was established in 2013 to develop radical treatments for dementia which is a refractory disease, and it is the first disease-centered research center established by a Korean pharmaceutical company. Dong-A Socio Holdings utilizes six diversified research areas – new mechanism-based chemical drugs, bio-pharmaceuticals, phytomedicines, stem cell treatments, vaccines, and base technologies for medical device – and puts company-wide efforts to develop innovative dementia treatments. The Center is conducting joint research with Seoul National University into a dementia treatment that controls insulin resistance, based on the link between diabetes and dementia. It is planning collaborative research with Bristol University and Cambridge University in the UK. The Center also brought in top dementia research experts from universities and hospitals in Korea and abroad as advisory committee members,

and plays a role as the hub for information exchange and cooperation on dementia.

Dong-A Socio Holdings' Research Center will publicize Dong-A's brands and serve as a driving force in creating new value in the global market. It will concentrate its capabilities on core research areas, and engage in open collaboration to increase the value of its pipeline. It will continue to promote 'Global Star' projects to look for R&D pipelines that can attract global attention, and will also seek the early establishment of partnerships with overseas companies and research institutions to develop new innovative drugs, in order to globalize its R&D activities across various fields of research.



R&D Investment

R&D Investment
per Sales

34.9

KRW billion

5.5

%

* Based on the consolidated figures

The motto of the Research Center of Dong-A Socio Holdings, with its focus on developing first-in-class new drugs

The First



DM Bio

Dong-A Socio Holdings has been involved in the development and commercialization of bio-pharmaceuticals since the 1990s as it always believes that bio-pharmaceuticals would become the major pillar of the global pharmaceutical market. Dong-A Socio Holdings signed a strategic business collaboration with Meiji Seika Pharma from Japan in September 2011. Two companies collaborate all-dimensionally in bio-pharmaceuticals from R&D to manufacturing and products distribution.

The construction of a cGMP (current Good Manufacturing Practice) bio-pharmaceutical plant, jointly invested by the two companies with the amount of KRW 100 billion, was completed in May 2014. The facility was designed and built to produce world class bio-pharmaceutical products. DM Bio is currently producing the clinical sample of DMB-3113, Humira® biosimilar candidate jointly developed by the two companies. Additionally some other projects have been scheduled.

DM Bio covers 144,430m², with a total space of 21,752m² three floor main building complemented a waste water treatment facility, a dangerous substances warehouse, and a security building. DM Bio has a total capacity of 8,000 liters, consisting of three independent 2,500 liter production lines on the second floor and a 500 liter production line on the first floor, so that several products can be produced simultaneously. Three 2,500 liter production lines have been hybrid designed that combines the advantages of single-use and multi-use systems for the efficient production of therapeutic biologics.

At present, the plant can produce APIs (Active Pharmaceutical Ingredients) that go through mammalian cell culture and purification processes. Aseptic filling and packaging facilities will be equipped so that the plant can produce finished pharmaceutical products from 2016.

In addition to manufacturing products jointly developed by Dong-A Socio Holdings and Meiji Seika Pharma, DM Bio will expand its business areas by carrying out CMO (Contract Manufacturing Organization) business for other companies. By effectively utilizing the two companies' business experiences in overseas markets and strong global networks, DM Bio will expedite its entry into advanced markets such as Europe and US as well as emerging markets.



Competitiveness of DM Bio

1

STRATEGIC PARTNERSHIP

Synergy between the R&D and technique know-how of Dong-A Socio Holdings and Meiji Seika Pharma

2

HYBRID SYSTEM

Maximizes capacities utilization which allows the simultaneous production of different products

3

SEAMLESS TRANSFER

Rich experiences in eliminating gaps between R&D and manufacturing to realize the greatest value of products

4

GLOBAL STANDARDS

Complying with global guidelines to produce the finest standard of bio-pharmaceuticals

Dong-A Pharmaceutical

PHARMACEUTICALS



Dong-A Pharmaceutical will grow into Korea's top healthcare specialist by upholding the founding spirit of Dong-A Socio Group to 'contribute to the health of the nation and the world by creating good medicine' and by improving product competitiveness.

Dong-A Pharmaceutical is a specialist in OTC (Over-the-counter) drugs, and a 100% subsidiary of Dong-A Socio Holdings. Its main business areas are OTC drugs, which customers can buy without a prescription, as well as health functional foods and quasi-drugs such as Bacchus®. Dong-A Pharmaceutical is becoming a trusted healthcare company by developing and producing high quality products that can contribute to improvements in health.

Bacchus Unit

Bacchus® is an iconic brand in the domestic tonic drink market. Since its launch in 1963, it has grown in popularity across a wide range of consumers, and has propelled the company's growth. Since the demerger in 2013, the Bacchus Unit has been in charge of the distribution of Bacchus® in Korea, including to pharmacies and new types of business establishments. The unit consists of nine branches and two sales offices with 21 teams, and especially, Bacchus®-D is supplied directly to around 20,000 pharmacies across the nation by 147 salespeople, using 75 vehicles. This Route

Sales System enables the timely supply of Bacchus®, as well as thorough inventory and cash flow management.

The company is increasing sales of Bacchus® by adopting a dual distribution strategy. After Bacchus® was reclassified from an OTC drug to a quasi-drug in 2011, the company launched Bacchus®-F for new types of distribution channels such as convenience stores and supermarkets. Compared to Bacchus®-D, which is for pharmacies only, Bacchus®-F is 20ml larger and contains DL-carnitine which improves digestive functions.

In 2014, the Bacchus Unit recorded sales of KRW 186.5 billion, thanks to the increased sales of Bacchus®-F, growing by 53.8% year-on-year, attributable to the widening of distribution channels and the supply price hike that was implemented in August 2014.

Bacchus® has been a consumers' favorite for more than half a century thanks to Dong-A Pharmaceutical's distinctive marketing strategy. Rather than simply delivering product information, advertisements for Bacchus® reflect the trends and tell stories of daily life that relate to an individual's health. They have been very successful, and have truly reached out to its customers, and the new advertising campaign won the 'Good Advertising Award' in the TV category at the 'Consumer Choice Awards for Good Advertising', hosted by the Korea Advertisers Association in 2014. In addition, the company communicates with young generations every year by hosting the Tour Korea for College Students, and films advertisements based on the creative ideas of young people at the '29 Second Film Festival'.

Key Figures

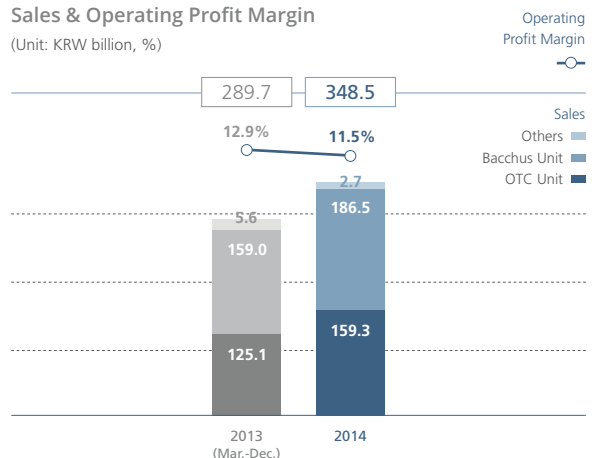
(Unit: KRW billion)

Total Assets	131.0
Sales	348.5
Operating Profit	40.1
Operating Profit Margin	11.5%
Net Profit	31.4
Net Profit Margin	9.0%

* As of December 31, 2014

Sales & Operating Profit Margin

(Unit: KRW billion, %)



Dong-A Pharmaceutical will ensure the continued growth of Bacchus[®] based on outstanding product competitiveness, systematic operational management, and distinctive marketing. This will enable Bacchus[®] to continue to be a mainstay in Dong-A Socio Group's development into a global healthcare company.

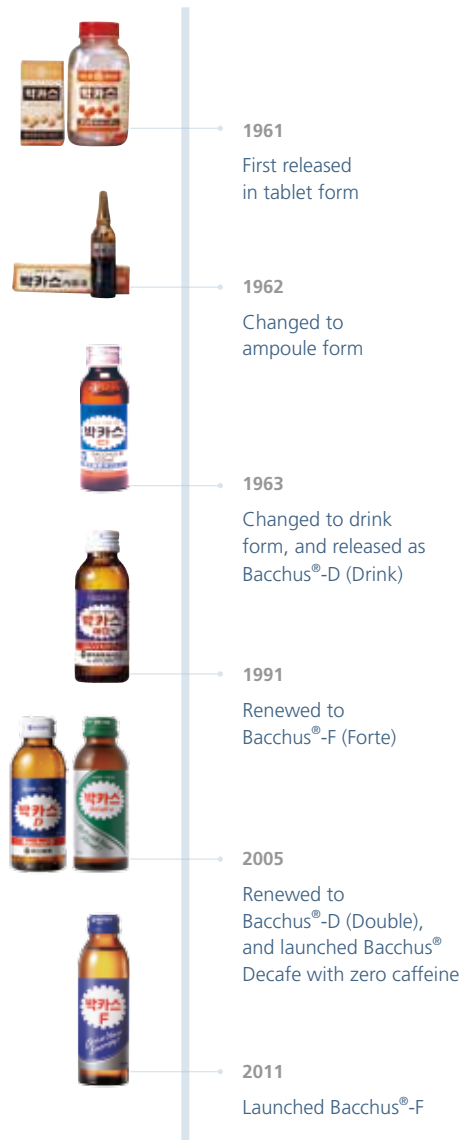
OTC Unit

Dong-A Pharmaceutical supplies OTC drugs, health functional foods, and quasi-drugs to pharmacies and through general distribution channels. Its outstanding operations and field management enable around 130 salespeople to supply approximately 70 types of OTC drugs to roughly 20,000 pharmacies around the nation. They also supply quasi-drugs and health functional foods to large discount stores, convenience stores, and supermarkets. The company has dedicated OTC marketers and branches for OTC drugs that can only be sold to pharmacies; products are also supplied through around 90 wholesalers nationwide.

Bearing in mind the rapid rise of the mobile lifestyle, Dong-A Pharmaceutical has been very active in looking to non-conventional forms of advertising. For example, it launched an SNS advertising campaign for Benachio[®], a phyto digestive medicine, and introduced a parody of a well-known Korean television drama. This campaign was very successful in reaching out to housewives, the product's main target. In addition, the company released a video featuring an SNS-based girl group to advertise Morning Care Lady[®], a hangover drink for women; there were 1 million views in just three weeks after the video was launched on YouTube, reflecting the outstanding success of this promotion.

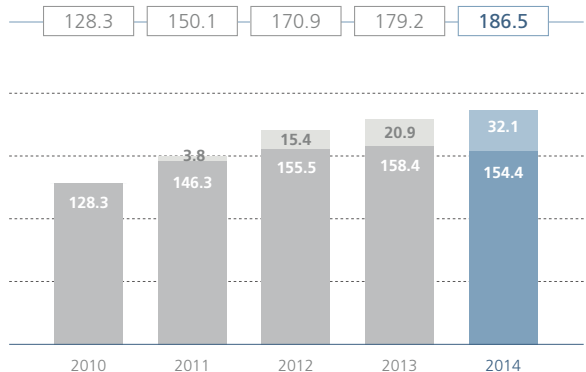
Thanks to an excellent sales organization and products as well as trend-leading marketing activities, the OTC Unit posted sales of KRW 159.3 billion in 2014; sales of Benachio[®], in particular, exceeded KRW 3.0 billion.

History of Bacchus[®]



Bacchus[®] Sales

(Unit: KRW billion)



CAGR of Bacchus[®] Sales

(2010-2014)

9.8

%

Future Plans

The Korean OTC market grew 4.8% year-on-year in 2014, to reach around KRW 1.9 trillion. Boundaries between sectors are falling, and competition is becoming fiercer due to the entry of global brands. To face these challenges and to continue its growth into a leading healthcare specialist, Dong-A Pharmaceutical is building foundations for growth and making sure it has the best possible organizational culture. In particular, the company plans to grow into a global brand by implementing a unique marketing strategy which focuses on 'mind share' rather than 'market share', with its own distinct identity and sincerity.

To this end, Dong-A Pharmaceutical will improve its main products, diversify its markets and look to develop new blockbuster drugs. The company will build brand values, widen the age range of customers, and diversify product line-up for Bacchus[®], targeting sales of KRW 300 to 400 billion by 2020. Dong-A Pharmaceutical will also leverage Dong-A Socio Group's strong capabilities in new drug research and product development in order to create new OTC drugs. In addition, it will undertake research to improve the efficacy of existing products, so that it can create new markets and enter into larger markets.

Moreover, Dong-A Pharmaceutical will focus not just on treating disease, but on developing health functional foods that can prevent disease. Health functional foods have become a global trend, which is why Dong-A Pharmaceutical launched D.C. Daily[®], a premium health functional food, and the first of its kind in Korea to receive certification for its immunity support function in 2014. The company is developing a follow-up product, and will continue to release customized health functional foods and make them as global brands.

Key Products of OTC Unit



PHARMACEUTICALS

Panpyrin[®]-T

Anti-inflammatory, Antipyretic, Analgesic Drug

Released in 1956, Panpyrin[®]-T is a cold medicine in tablet form, and is effective for colds, aches, and headaches. It was re-launched after being designated as a household medicine in 2012.

Panpyrin[®]-Q

Anti-inflammatory, Antipyretic, Analgesic Drug

Released in 2007, Panpyrin[®]-Q is a cold medicine in liquid form. It is Dong-A Pharmaceutical's flagship OTC product, and is effective for colds, aches, and headaches, as well as for coughs and phlegm. It recorded a 70% market share in the domestic liquid cold medicine market in 2014.



QUASI-DRUGS

Morning Care[®]

Hangover Drink

Released in 2005, Morning Care[®] is a drink that eases the symptoms of hangovers, and helps to protect the liver from the damage caused by alcohol. Dong-A Pharmaceutical released Morning Care[®] Plus, which was recognized its function as a health functional food by the Ministry of Food and Drug Safety, and Morning Care[®] Lady for women in 2013, expanding market dominance

Garglin[®]

Mouthwash

Released in 1982, Garglin[®] highly effective in preventing cavities for it delivers 99.9% germicidal power and removes even the tiniest bacteria that cannot be killed by brushing alone. No. 1 mouthwash brand in Korea, Garglin[®] is offered in different varieties, including products for adults and children, as well as a disposable stick-type product and dispenser.



Benachio®

Dyspepsia Treatment

Benachio® is a functional dyspepsia treatment, released in 2009. It is for general indigestion as well as loss of appetite, epigastric distension, nausea, and vomiting. This phytomedicine contains no carbonic acid, and is hypoallergenic. With excellent choleric effects, Benachio® is good for protein digestion, especially for people who consume a lot of meat.



Dodana Gel®

Skin Disease Treatment

This is a wound treatment that creates a film when applied to the wounded area, eliminating the need for a bandage. It is effective for wounds that pose a risk of becoming or already were infected, burns, festering skin infections, eczema, and cold sores. It is a new product, released in July 2014.



HEALTH FUNCTIONAL FOOD

D.C. Daily®

Immune Booster

Released in August 2014, D.C. Daily® is a premium health functional food, and the first of its kind in Korea to receive certification for its immunity support function. Made of brown rice cordyceps *militaris*, grown in Korea in an eco-friendly way, it is rich in cordycepin, a natural antibiotic and immune system-enhancer, offering outstanding immunity-enhancing functionality. It is in tablet form which is easy to take.



Tempo®

Tampon

Released in 1977, Tempo® is Korea's first domestic tampon. It is completely safe and comfortable to use, as it is manufactured from an absorbent material made of pure cotton and, unlike menstrual pads, it does not cause skin irritation and will not leak.



DAILY HEALTH AND OTHERS

Hairich Vedacell®

Hair Care Product

Launched in January 2014, this total hair care brand consists of shampoo, conditioner, and essences, and is free from harmful chemicals. It makes hair healthier, repairs hair damage, and provides care for the scalp.



Bigen®

Hair Color Product

With a tradition of more than 100 years, Bigen® has been a long-time market leader in the highly competitive hair color product market, thanks to a high level of customer awareness and its proven product quality. It is available in powder, cream, and foam forms, to satisfy different consumer needs.



ST Pharm is Korea's leading API specialist nominated as an innovative pharmaceutical company by the Korean Ministry of Health & Welfare, growing into a trusted global company through stable, high value-added product portfolio and innovative technology.

Founded in 2008, ST Pharm became a member of the Dong-A Socio Group in 2010. The company is specialized in the production of APIs (Active Pharmaceutical Ingredients) and intermediates. ST Pharm's hepatitis B drug was designated a world-leading product in 2011, and the company was recognized as an innovative pharmaceutical company in 2012. ST Pharm was also designated an outstanding technology research center by the Korean Ministry of Trade, Industry & Energy in 2013, which allowed the company to receive government support and improve company awareness. ST Pharm is continuing to achieve strong growth; the company recorded sales of KRW 96.5 billion in 2014, a year-on-year increase of 14.6%, and its operating profit margin was 10.1%. The company expects to grow further in 2015 based on a stable supply of hepatitis drugs for commercialization.

Key Achievements

Since developing a synthesis technique for Zidovudine, an HIV treatment, ST Pharm has focused on developing APIs and intermediates for nucleoside antiviral drugs. The

company has signed long-term supply contracts with major global pharmaceutical companies to supply APIs, and is also taking part in the initial stages of the new drug development processes of world-renowned pharmaceutical companies, which will in turn earn it the right to supply APIs. ST Pharm operates an international quality system that has received cGMP (current Good Manufacturing Practice) certification from the US FDA (Food and Drug Administration) as well as from the relevant organizations in Japan and Europe, and from the WHO (World Health Organization).

ST Pharm's sales strategy is to discover and investigate promising candidates for new drug substances that are in the development and clinical stages, and thus to build long-term partnerships with customers. The company actively participates in the early clinical phase by providing services, such as process optimization and scale-up. Once a new drug is released after clinical development, ST Pharm then becomes the primary supplier of the materials for the commercialization. This strategy enables the company to build a long-term mass supply system.

ST Pharm is also looking to RNAi (RNA interference) drugs as a driver of company growth. RNAi is a fast-growing new area of drug development, and was the subject of research that won the Nobel Prize for Medicine in 2006. In 2014, ST Pharm signed an agreement with the Korea Drug Development Fund to develop STP02-3725, an oral anti-coagulant drug that uses a new concept of bile acid derivatives. The company is now undertaking efficacy research, process development, and pharmacokinetic/pharmacodynamic evaluations in order to obtain the FDA's IND (Investigational New Drug) application and approval.

ST Pharm's R&D activities are focused on the development of generic API production technology, the scale-up of new drug candidate substances, and research on process improvements. Its R&D investment totaled KRW 6.8 billion in 2014, amounting to 7.0% of the company's total sales.

Key Figures

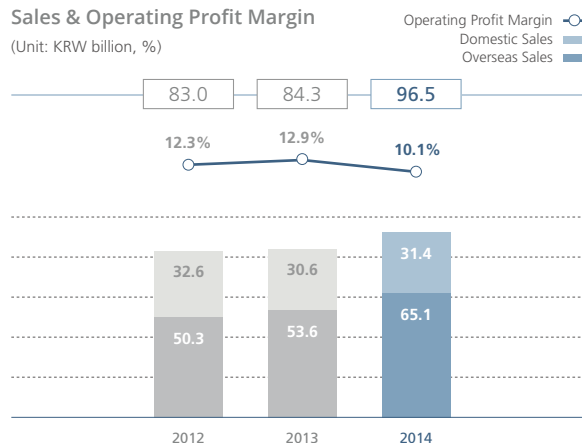
(Unit: KRW billion)

Total Assets	142.4
Sales	96.5
Operating Profit	9.7
Operating Profit Margin	10.1%
Net Profit	5.5
Net Profit Margin	5.7%

* As of December 31, 2014

Sales & Operating Profit Margin

(Unit: KRW billion, %)





Yong-Ma Logis changes and innovates to become 'a leader in corporate logistics by offering best value', with a focus on creativity, customer, sincerity, and responsibility based on its experience and competitiveness as a specialist in third party logistics.

Established in 1979, Yong-Ma Logis is a leading provider of specialized logistics for difficult-to-handle products that require high-quality management. Its main businesses are nationwide freight, parcel delivery services, car transport arrangements, multi-modal transport arrangements, and warehousing. The company provides logistics services across all stages of the supply chain, ranging from procurement to production and sales, to leading companies in Korea and abroad by building on the experience and knowledge it has gained from handling all logistics requirements of Dong-A Pharmaceutical. Yong-Ma Logis became the first company in the Korean logistics industry to adopt the WMS (Warehouse Management System), which is a major part of effective TPL (Third Party Logistics) services. The company is increasing its dominance in e-Logistics as well, thanks to its continued integration of information systems and the adoption of new technologies.

Key Figures

(Unit: KRW billion)

Total Assets	106.9
Sales	135.5
Operating Profit	6.5
Operating Profit Margin	4.5%
Net Profit	4.7
Net Profit Margin	3.5%

* As of December 31, 2014

Key Achievements

Despite a difficult business environment in 2014, caused mainly by sluggish growth in the domestic economy, Yong-Ma Logis achieved sales of KRW 135.5 billion, a year-on-year increase of 8.7%, by actively developing new businesses and attracting new customers. The company saw steady growth in its main business areas of transport and parcel delivery services, and the TPL and international logistics units also saw strong sales growth, posting year-on-year increases of 12.3% and 34.5%, respectively, thus driving the company's overall growth.

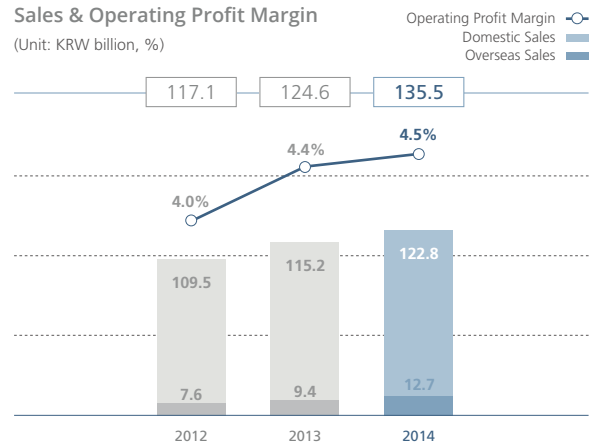
Yong-Ma Logis began the construction of its 16,500m² Anseong Center 2 in 2014, and it also purchased a 5,300m² logistics center as part of its efforts to expand its infrastructure. To boost its service competitiveness, Yong-Ma Logis acquired ISO13485, a quality management certification for medical devices, and became a member of the IATA (International Air Transport Association). The company received an 'A' Grade in the 2014 Service Evaluation of the Parcel Service Industry, organized by the Ministry of Land, Infrastructure and Transport. It was the only one of 17 parcel service providers to receive Grade A, and this gave the company very positive publicity regarding the excellence of its service standards.

Future Plans

Yong-Ma Logis aims to post sales of KRW 145 billion in 2015, a 7.0% increase over 2014. With the economic environment remaining uncertain, the company will continue to grow by strengthening its business fundamentals and improving its profit structure. To this end, the company will increase the number of industry sectors for its each business area, and open an office at Incheon International Airport to boost service effectiveness. The company will also utilize its new warehouse to optimize the shipping hub and maximize operational efficiency.

Sales & Operating Profit Margin

(Unit: KRW billion, %)





With expertise and experience of around 40 years in the packaging industry, Soo Seok makes top-quality products to achieve greater customer satisfaction, and supplies eco-friendly packaging materials to create a cleaner and brighter future.

Soo Seok is a comprehensive packaging materials company that produces packaging containers, such as glass bottles, caps, and PET bottles. The company's key products are the glass bottles and caps for Dong-A Pharmaceutical's Bacchus® and Panpyrin Q®. Soo Seok also produces and supplies various high-quality eco-friendly products, such as mineral water caps and PET bottles. Established in 1969, the company became a subsidiary of Dong-A Socio Group in 1978. The company does business with other affiliates of Dong-A Socio Group, including Dong-A Pharmaceutical and Dong-A Otsuka, and also with Pulmuone Waters, a leading Korean mineral water company, and J-One, a drinks manufacturer. Soo Seok consists of the Glass Unit, the Cap Unit, and the PET Bottle Unit. The company has an annual production capacity of 55,000 tons for glass bottles and 600 million units for caps. The PET bottle business has an annual production capacity of 790 million units. Soo Seok first entered the PET bottle market in 2011 and is now recording yearly growth of 10-13%, attributable to the steady growth of the mineral water market.

Key Achievements

In 2014, Soo Seok focused on developing new growth drivers, improving profitability and competitiveness of existing businesses, and expanding areas of production to meet demand for increasingly diverse packaging containers. In particular, the company has further diversified its products by completing the construction of a plant that manufactures heat-resistant PET bottles for fruit beverages and pressure-resistant PET bottles for carbonated drinks. As a result of these efforts, Soo Seok posted sales of KRW 73.5 billion in 2014, a year-on-year increase of 7.3%, and an operating profit margin of 8.3%.

Soo Seok runs an industrial accident prevention campaign, and is improving its work environment by introducing automation systems in all production processes and seeking to remove all accident risk factors. As a result, Soo Seok achieved a new record of being accident-free for 2,580 days, and received recognition in January 2014 from the Korea Occupational Safety & Health Agency for achieving its safety goal. Soo Seok will continue to train its staff about safety, based on the determination of management to make the safest possible working environment across all production sites.

Future Plans

Soo Seok's sales target for 2015 is KRW 86 billion, a year-on-year increase of 17%. The company aims to build on its strong market position in the glass bottle and cap businesses, which are the company's existing business areas. In PET bottles business, a new business area of the company, Soo Seok will move forward with stable operations, in order to take a step closer to realizing its goal of becoming a market-leading specialist in comprehensive, eco-friendly, and high-quality packaging materials.

Key Figures

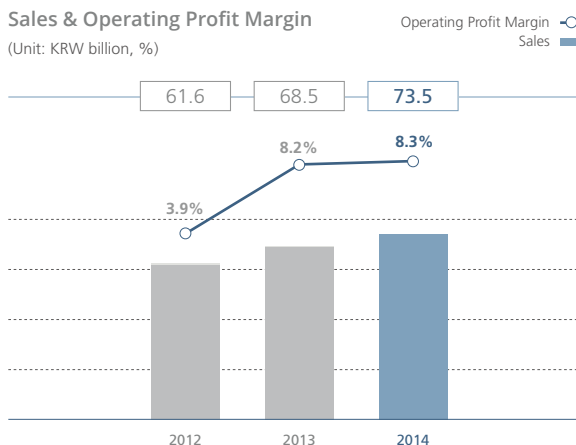
(Unit: KRW billion)

Total Assets	118.9
Sales	73.5
Operating Profit	6.1
Operating Profit Margin	8.3%
Net Profit	5.0
Net Profit Margin	6.8%

* As of December 31, 2014

Sales & Operating Profit Margin

(Unit: KRW billion, %)



DONG-A SOCIO HOLDINGS

FINANCIAL REVIEW

Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Dong-A Socio Holdings Co., Ltd.:

Report on the Separated Financial Statements

We have audited the accompanying separate statements of financial position of Dong-A Socio Holdings Co., Ltd. (the "Company") as of December 31, 2014 and 2013 and the related separate statements of comprehensive income, changes in equity and cash flows for the years then ended. Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these separate financial statements based on our audits.

Management's Responsibility for the Separated Financial Statements

Management is responsible for the preparation and fair presentation of these separated financial statements in accordance with Korean International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of separated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the separated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separated financial statements.

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

Opinion

In our opinion, the separated financial statements present fairly, in all material respects, the separated financial position as of December 31, 2014 and 2013 and its separated financial performance and its separated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 43 to the financial statements which states that the Company will split into two companies through split off its bio-similar sector. And this plan will be decided at stockholders' meeting on March 20, 2015.

Other Matter

The accompanying separated statement of financial position as of December 31, 2013, and the related separated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, were audited by us in accordance with the previous auditing standards generally accepted in Republic of Korea.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 9, 2015

This report is effective as of March 9, 2015, 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 separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Separate Statements of Financial Position

As of December 31, 2014 and 2013

(In thousands of won)

	2014	2013
Assets		
Cash and cash equivalents	₩ 97,194,090	151,344,290
Trade receivables	7,749,069	9,391,566
Other receivables	3,009,444	2,390,040
Other financial assets	2,593,143	2,798,651
Other current assets	596,389	689,592
Current tax assets	286,919	-
Total current assets	111,429,054	166,614,139
Long-term financial instruments	15,000	15,000
Other receivables	466,146	4,524,450
Other financial assets	7,803,352	95,418,137
Investments in equity-accounted investees	197,839,115	49,453,037
Investments in subsidiaries	124,379,345	116,759,345
Property, plant and equipment	149,816,640	123,787,078
Intangible assets	3,621,661	4,334,819
Investment property	8,584,137	8,977,623
Other non-current assets	287,515	566,471
Deferred tax assets	30,022	4,854,306
Total non-current assets	492,842,933	408,690,266
Total assets	₩ 604,271,987	575,304,405

(In thousands of won)

	2014	2013
Liabilities		
Other payables	₩ 9,077,701	27,274,478
Short-term borrowings	221,953,755	163,050,822
Other financial liabilities	690,123	498,893
Income tax payable	-	1,245,389
Total current liabilities	231,721,579	192,069,582
Long-term borrowings	-	40,000,000
Other financial liabilities	277,354	558,398
Employee benefits	5,043,608	1,985,510
Total non-current liabilities	5,320,962	42,543,908
Total liabilities	237,042,541	234,613,490
Equity		
Share capital	22,407,955	21,698,195
Share premium	64,795,698	45,743,138
Capital adjustments	(193,337,293)	(193,337,293)
Other equity components	88,926,003	61,072,265
Retained earnings	384,437,083	405,514,610
Total equity	367,229,446	340,690,915
Total liabilities and equity	₩ 604,271,987	575,304,405

Separate Statements of Comprehensive Income

For the years ended December 31, 2014 and 2013

(In thousands of won, except earnings per share information)

		2014	2013
Revenue	₩	72,197,305	73,515,209
Finished goods and merchandise		-	41,667,522
SSC and brand royalty		32,498,256	30,511,501
Dividends		39,233,220	1,023,995
Others		465,829	312,191
Cost of sales		23,926,208	44,106,471
Finished goods and merchandise		-	21,458,254
SSC and brand royalty		23,799,338	22,542,492
Others		126,870	105,725
Gross profit		48,271,097	29,408,738
Selling, general and administrative expenses		(18,867,581)	(27,623,029)
Research and development costs		(23,961,892)	(25,475,761)
Results from operating activities		5,441,624	(23,690,052)
Other income		9,834,396	2,991,751
Other expenses		(1,015,103)	(636,740)
Finance income		4,399,543	9,476,476
Finance costs		(8,951,383)	(10,238,012)
Profit (loss) before income tax		9,709,077	(22,096,577)
Income tax expense (benefit)		3,341,293	541,926
Profit (loss) from continuing operations		6,367,784	(21,554,651)
Discontinued operations			
Profit from discontinued operations		-	10,367,251
Profit (loss) for the year		6,367,784	(11,187,400)
Other comprehensive income (loss)			
Items that will not be reclassified to profit (loss):			
Defined benefit plan actuarial gains (losses)		(961,769)	2,016,421
Items that are or may be reclassified subsequently to profit (loss):			
Unrealized net change in fair value of available-for-sale financial assets		5,709,835	(27,031,807)
Other comprehensive loss for the year		4,748,066	(25,015,386)
Total comprehensive income (loss) for the year	₩	11,115,850	(36,202,786)
Earnings per share			
Basic earnings per share - continuing operations (won)	₩	1,459	(4,221)
Basic earnings per share - discontinued operation (won)		-	2,030
Diluted earnings per share - continuing operations (won)		1,459	(4,587)
Diluted earnings per share - discontinued operation (won)		-	2,030

Separate Statements of Changes in Equity

For the years ended December 31, 2014 and 2013

(In thousands of won)	Share capital	Share premium	Capital adjustments	Other equity components	Retained earnings	Total equity
Balance at January 1, 2013	₩ 55,675,000	73,906,182	(42,623,676)	233,940,960	425,363,948	746,262,414
Total comprehensive income for the year:						
Loss for the year	-	-	-	-	(11,187,400)	(11,187,400)
Other comprehensive income (loss):						
Change in fair value of available-for-sale financial assets	-	-	-	(27,031,807)	-	(27,031,807)
Defined benefit plan actuarial gains	-	-	-	-	2,016,421	2,016,421
Total other comprehensive income	-	-	-	(27,031,807)	2,016,421	(25,015,386)
Total comprehensive income for the year	-	-	-	(27,031,807)	(9,170,979)	(36,202,786)
Transactions with owners, recognized directly in equity:						
Dividends	-	-	-	-	(10,678,359)	(10,678,359)
Excise of convertible right of convertible redeemable preferred stock	1,031,135	18,308,498	-	(1,005,833)	-	18,333,800
Changes in equity due to split-off	-	-	4,577,073	(4,577,073)	-	-
Changes in equity due to spin-off	(35,007,940)	(46,471,542)	(197,914,366)	(187,604,568)	-	(466,998,416)
Acquisition of treasury shares	-	-	(44,357,185)	-	-	(44,357,185)
Disposal of treasury shares	-	-	86,980,861	47,350,586	-	134,331,447
Total transactions with owners	(33,976,805)	(28,163,044)	(150,713,617)	(145,836,888)	(10,678,359)	(369,368,713)
Balance at December 31, 2013	₩ 21,698,195	45,743,138	(193,337,293)	61,072,265	405,514,610	340,690,915
Balance at January 1, 2014	₩ 21,698,195	45,743,138	(193,337,293)	61,072,265	405,514,610	340,690,915
Total comprehensive income for the year:						
Profit for the year	-	-	-	-	6,367,784	6,367,784
Other comprehensive income (loss):						
Change in fair value of available-for-sale financial assets	-	-	-	5,709,835	-	5,709,835
Change in classification of available-for-sale financial assets	-	-	-	22,143,903	(22,143,903)	-
Defined benefit plan actuarial gains	-	-	-	-	(961,769)	(961,769)
Total other comprehensive income	-	-	-	27,853,738	(23,105,672)	4,748,066
Total comprehensive income for the year	-	-	-	27,853,738	(16,737,888)	11,115,850
Transactions with owners, recognized directly in equity:						
Dividends	-	-	-	-	(4,339,639)	(4,339,639)
Paid-in capital increase	709,760	19,052,560	-	-	-	19,762,320
Total transactions with owners	709,760	19,052,560	-	-	(4,339,639)	15,422,681
Balance at December 31, 2014	₩ 22,407,955	64,795,698	(193,337,293)	88,926,003	384,437,083	367,229,446

Separate Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(In thousands of won)	2014	2013
Cash flows from operation activities		
Profit (loss) for the year	₩ 6,367,784	(11,187,400)
Adjustments	(22,485,701)	15,033,945
Changes in assets and liabilities	(15,367,705)	3,265,883
Dividends received	39,233,220	1,023,995
Income taxes paid	(1,532,308)	(16,686,792)
Net cash provided by (used in) operating activities	6,215,290	(8,550,369)
Cash flows from investing activities		
Interest received	2,165,725	4,094,775
Collection of short term receivables from employees	90,000	422,847
Disposal of investments in associates	255,650	-
Disposal of investments in joint ventures	4,096,000	-
Sale of in available-for-sale financial assets	250,386	13,029,918
Sale of in held-to-maturity financial assets	32,765	159,750
Proceeds from sale of property, plant and equipment	144,331	30,399
Proceeds from intangible assets	405,935	-
Decrease in deposits	545,000	134,112
Disposal of investment property	356,571	-
Increase in short-term receivables from employees	-	(246,405)
Acquisition of available-for-sale financial assets	(37,032,610)	(53,962,462)
Acquisition of held-to-maturity financial assets	-	(158,650)
Acquisition of Investments in joint ventures	-	(704,000)
Acquisition of Investments in subsidiaries	(8,000,000)	(380,000)
Acquisition of Investments in associates	(45,940)	-
Acquisition of property, plant and equipment	(30,702,762)	(93,668,096)
Acquisition of intangible assets	(223,024)	(120,089)
Increase in deposits	(480,000)	(70,000)
Net cash used in investing activities	₩ (68,141,973)	(131,437,901)

(In thousands of won)

	2014	2013
Cash flows from financing activities		
Proceeds from short-term borrowings	₩ 30,000,000	115,791,618
Proceeds from long-term borrowings	-	40,000,000
Proceeds from disposal of treasury shares	-	49,900,755
Interest paid	(7,801,486)	(6,804,283)
Dividends paid	(4,339,639)	(10,678,359)
Repayment of short-term borrowings	(10,000,000)	(9,424,598)
Repayment of long-term borrowings	-	(500,000)
Repayment of rental deposits received	-	(5,232)
Acquisition of treasury shares	-	(44,357,185)
Cash outflow due to spin-off	-	(200,347,034)
Proceeds from issue of share capital	(117,680)	-
Net cash provided by (used in) financing activities	7,741,195	(66,424,318)
Net increase (decrease) in cash and cash equivalents	(54,185,488)	(206,412,588)
Cash and cash equivalents at January 1	151,344,290	357,823,454
Effect of exchange rate fluctuations on cash held	35,288	(66,576)
Cash and cash equivalents at December 31	₩ 97,194,090	151,344,290

Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Dong-A Socio Holdings Co., Ltd.:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Dong-A Socio Holdings Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and 2013 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 46 to the consolidated financial statements which states that the Group will split into two companies through spinning off its bio-similar sector. And this plan will be decided at stockholders' meeting on March 20, 2015.

Other Matter

The accompanying consolidated statement of financial position of the Group as of December 31, 2013, and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, were audited by us in accordance with the previous auditing standards generally accepted in the Republic of Korea. We did not audit the financial statements of Soo Seok Co., Ltd, Soo Seok Nong San Co., Ltd., Yong-Ma Logis Co., Ltd., and Induspark Co., Ltd., a subsidiary, whose financial statements represent 23.45% of consolidated total assets as of December 31, 2013 and 29.77% of consolidated total sales for the year then ended. Other auditors audited those financial statements and our report, insofar as it relates to the subsidiary, was based solely on the report of other auditors.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 9, 2015

This report is effective as of March 9, 2015, 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 consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Consolidated Statements of Financial Position

As of December 31, 2014 and 2013

(In thousands of won)

	2014	2013
Assets		
Cash and cash equivalents	₩ 134,820,810	198,183,119
Short-term financial instruments	2,110,000	7,033,506
Trade receivables	85,597,562	76,918,748
Other receivables	7,357,019	3,539,016
Other financial assets	165,891	31,835
Inventories	122,792,078	107,518,145
Other current assets	1,969,702	3,895,510
Current tax assets	1,024,953	115,463
Total current assets	355,838,015	397,235,342
Long-term financial instruments	397,500	105,500
Other receivables	10,162,424	10,300,129
Other financial assets	14,100,708	105,362,149
Investments in subsidiaries	248,989,087	90,312,331
Property, plant and equipment	428,783,684	366,401,626
Intangible assets	13,901,913	12,318,624
Investment property	8,525,820	5,671,202
Other non-current assets	370,510	572,820
Total non-current assets	725,231,646	591,044,381
Total assets	₩ 1,081,069,661	988,279,723

(In thousands of won)		2014	2013
Liabilities			
Trade payables	₩	20,636,383	30,536,692
Other payables		50,653,587	63,020,121
Short-term borrowings		346,054,939	279,304,289
Provisions		3,905,879	2,939,975
Other financial liabilities		51,057	-
Other current liabilities		991,559	858,237
Income tax payable		6,241,027	8,705,517
Total current liabilities		428,534,431	385,364,831
Other payables		7,933,054	4,223,367
Long-term borrowings		74,292,760	62,904,021
Other financial liabilities		240,176	558,398
Employee benefits		16,070,458	5,285,201
Deferred tax liabilities		19,520,260	15,339,573
Total non-current liabilities		118,056,708	88,310,560
Total liabilities		546,591,139	473,675,391
Equity			
Share capital		22,407,955	21,698,195
Share premium		64,795,698	45,743,138
Capital adjustments		(200,008,466)	(198,321,760)
Other equity components		162,250,302	131,773,083
Retained earnings		436,279,924	470,698,892
Equity attributable to owners of the Company		485,725,413	471,591,548
Non-controlling interests		48,753,109	43,012,784
Total equity		534,478,522	514,604,332
Total liabilities and equity	₩	1,081,069,661	988,279,723

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2014 and 2013

(In thousands of won)	2014	2013
Revenue:	₩ 630,625,194	570,870,106
Finished goods	372,789,392	344,230,459
Merchandise	99,405,266	94,578,871
Commissions	4,947,701	4,686,843
Others	153,482,835	127,373,933
Cost of sales:	439,086,605	386,825,725
Finished goods	187,765,720	204,201,381
Merchandise	82,114,855	37,555,451
Others	169,206,030	145,068,893
Gross profit	191,538,589	184,044,381
Selling, general and administrative expenses	135,799,248	115,052,945
Research and development costs	34,912,403	35,351,199
Results from operating activities	20,826,938	33,540,237
Other income	10,816,205	5,084,614
Other expenses	(2,510,888)	(3,508,265)
Finance income	7,209,614	13,983,331
Finance costs	(18,897,425)	(16,702,448)
Equity income on investments	7,849,077	1,689,237
Profit from continuing operations before income tax	25,293,521	34,186,706
Income tax expense	18,808,195	23,088,699
Profit from continuing operations	6,485,326	11,098,007
Profit from discontinued operations	-	10,367,251
Profit for the year	₩ 6,485,326	21,465,258

(In thousands of won, except earnings per share information)

	2014	2013
Other comprehensive income (loss)		
Items that will not be reclassified to profit (loss):		
Other comprehensive income on revaluations	₩ -	(62,028)
Defined benefit plan actuarial gains (losses)	(7,066,521)	4,795,143
Change in retained earnings – change in equity method accounted investments	(1,291,882)	(168,483)
Items that are or may be reclassified subsequently to profit (loss):		
Unrealized net change in fair value of available-for-sale financial assets	7,201,807	(30,244,951)
Capital adjustment for equity method accounted investment	441,338	4,067
Other comprehensive loss for the year	(715,258)	(25,676,252)
Total comprehensive income (loss) for the year	5,770,068	(4,210,994)
Profit attributable to:		
Owners of the Company	1,715,986	15,568,206
- Continuing operations	1,715,986	5,200,955
- Discontinued operations	-	10,367,251
Non-controlling interests	4,769,340	5,897,052
- Continuing operations	4,769,340	5,897,052
- Discontinued operations	-	-
Profit for the year	6,485,326	21,465,258
Total comprehensive profit (loss) attributable to:		
Owners of the Company	346,038	(7,339,473)
Non-controlling interests	5,424,030	3,128,479
Total comprehensive profit (loss) for the year	₩ 5,770,068	(4,210,994)
Earnings per share		
Basic earnings per share (won)		
- Continuing operations	₩ 397	1,029
- Discontinued operations	-	2,052
Diluted earnings per share (won)		
- Continuing operations	397	287
- Discontinued operations	-	2,006

Consolidated Statements of Changes in Equity

For the year ended December 31, 2013

(In thousands of won)	Share capital	Share premium	Capital adjustments	Other equity components	Retained earnings	Non-controlling interests	Total equity
Balance at January 1, 2013	₩ 55,675,000	73,906,181	(44,169,009)	302,377,734	461,062,393	32,389,346	881,241,645
Total comprehensive income for the year:							
Profit for the year	-	-	-	-	15,568,206	5,897,052	21,465,258
Other comprehensive income (loss):							
Other comprehensive income on revaluations	-	-	-	(62,028)	-	-	(62,028)
Change in fair value of available-for-sale financial assets	-	-	-	(27,596,371)	-	(2,648,580)	(30,244,951)
Capital adjustment for equity method accounted investment	-	-	-	4,067	-	-	4,067
Defined benefit plan actuarial gains (losses)	-	-	-	-	4,915,135	(119,992)	4,795,143
Change in retained earnings-change in equity method accounted investments	-	-	-	-	(168,483)	-	(168,483)
Total other comprehensive income (loss)	-	-	-	(27,654,332)	4,746,652	(2,768,572)	(25,676,252)
Total comprehensive income (loss) for the year	-	-	-	(27,654,332)	20,314,858	3,128,480	(4,210,994)
Transactions with owners of the Company, recognized directly in equity:							
Dividends	-	-	-	-	(10,678,359)	(1,245)	(10,679,604)
Excise of convertible right of convertible redeemable preferred stock	1,031,135	18,308,498	-	(1,005,833)	-	-	18,333,800
Changes in equity due to spin-off	(35,007,940)	(46,471,541)	(196,776,427)	(188,033,675)	-	7,496,203	(458,793,380)
Acquisition of treasury shares	-	-	(44,357,185)	-	-	-	(44,357,185)
Disposal of treasury shares	-	-	86,980,861	46,089,189	-	-	133,070,050
Total transactions with owners	(33,976,805)	(28,163,043)	(154,152,751)	(142,950,319)	(10,678,359)	7,494,958	(362,426,319)
Balance at December 31, 2013	₩ 21,698,195	45,743,138	(198,321,760)	131,773,083	470,698,892	43,012,784	514,604,332

For the year ended December 31, 2014

(In thousands of won)	Share capital	Share premium	Capital adjustments	Other equity components	Retained earnings	Non-controlling interests	Total equity
Balance at January 1, 2014	₩ 21,698,195	45,743,138	(198,321,760)	131,773,083	470,698,892	43,012,784	514,604,332
Total comprehensive income for the year:							
Profit for the year		-	-	-	1,715,986	4,769,340	6,485,326
Other comprehensive income (loss):							
Other comprehensive income on revaluations		-	-	(54,027)	54,027	-	-
Change in fair value of available-for-sale financial assets		-	-	6,369,029	-	832,778	7,201,807
Capital adjustment for equity method accounted investment		-	-	276,665	-	164,673	441,338
Defined benefit plan actuarial gains (losses)		-	-	-	(6,723,760)	(342,761)	(7,066,521)
Change in classification of available-for-sale financial assets		-	-	23,833,700	(23,833,700)	-	-
Change in retained earnings-change in equity method accounted investments		-	-	-	(1,291,882)	-	(1,291,882)
Total other comprehensive income (loss)		-	-	30,425,367	(31,795,315)	654,690	(715,258)
Total comprehensive income (loss) for the year		-	-	30,425,367	(30,079,329)	5,424,030	5,770,068
Transactions with owners of the Company, recognized directly in equity:							
Dividends		-	-	-	(4,339,639)	(993,603)	(5,333,242)
Investment in kind	709,760	19,052,560	-	-	-	-	19,762,320
Issue in convertible bonds		-	-	51,852	-	-	51,852
Acquisition of treasury shares		-	(1,686,706)	-	-	-	(1,686,706)
Disposal of treasury shares		-	-	-	-	1,309,898	1,309,898
Total transactions with owners	709,760	19,052,560	(1,686,706)	51,852	(4,339,639)	316,295	14,104,122
Balance at December 31, 2014	₩ 22,407,955	64,795,698	(200,008,466)	162,250,302	436,279,924	48,753,109	534,478,522

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(In thousands of won)	2014	2013
Cash flows from operation activities		
Profit for the year	₩ 6,485,326	21,465,258
Adjustments	51,908,649	64,805,926
Changes in assets and liabilities	(49,468,362)	(25,431,416)
Dividends received	1,006,587	913,192
Income taxes paid	(17,847,717)	(25,969,981)
Net cash provided by operating activities	(7,915,517)	35,782,979
Cash flows from investing activities		
Interest received	3,382,645	5,308,965
Decrease in short-term financial instruments	4,923,507	2,130,000
Decrease in short-term loans	152,505	221,713
Decrease in short-term receivables from employees	-	422,847
Proceeds from held-to-maturity investments	31,835	159,750
Proceeds from available-for-sale financial assets	1,404,922	23,990,661
Proceeds from sale of investments in subsidiaries	4,096,000	-
Proceeds from sale of property, plant and equipment	326,519	505,183
Proceeds from sale of intangible asset	120,838	-
Proceeds from sale of investment property	1,040,080	-
Decrease in deposits	-	447,364
Changes in ownership interests in subsidiaries that do not result in loss of control	1,309,898	3,508,498
Increase in short-term financial instruments	-	(5,308,524)
Increase in short-term receivables from employees	-	(247,433)
Increase in short-term loans	-	(261,365)
Increase in long-term financial instruments	(292,000)	(467,500)
Increase in long-term loans	-	(14,736)
Acquisition of held-to-maturity financial assets	(54,690)	(158,650)
Acquisition of available-for-sale financial assets	(39,912,042)	(55,806,419)
Acquisition of property, plant and equipment	(87,098,101)	(109,712,701)
Acquisition of intangible assets	(1,112,235)	(899,015)
Acquisition of jointly controlled entity	-	(704,000)
Acquisition of associate	-	(113,465)
Increase in deposits	(4,819,261)	(1,533,476)
Net cash used in investing activities	₩ (116,499,580)	(138,532,303)

(In thousands of won)

	2014	2013
Cash flows from financing activities		
Proceeds from short-term borrowings	₩ 87,053,396	133,658,277
Proceeds from long-term borrowings	61,000,000	42,000,000
Proceeds from current portion of convertible bonds	4,584,664	-
Proceeds from rental deposits received	40,210	573,000
Proceeds from disposal of treasury shares	-	51,267,576
Interest paid	(8,369,844)	(12,601,534)
Dividends paid	(5,333,242)	(10,679,604)
Repayment of short-term borrowings	(24,381,834)	(23,424,598)
Repayment of current portion of long-term borrowings	(44,735,464)	(14,449,320)
Repayment of long-term borrowings	(2,833,240)	(1,250,000)
Proceeds from rental deposits increase	-	(575,004)
Repayment of current portion of convertible bonds	(4,197,939)	-
Acquisition of treasury shares	(1,686,706)	(44,357,185)
Cash outflow due to spin-off	-	(200,347,034)
Net cash provided by (used in) financing activities	61,140,001	(80,185,426)
Net increase (decrease) in cash and cash equivalents	(63,275,096)	(182,934,750)
Cash and cash equivalents at January 1	198,183,119	381,211,138
Effect of exchange rate fluctuations on cash held	(87,213)	(93,269)
Cash and cash equivalents at end of year	₩ 134,820,810	198,183,119

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BUSINESS REVIEW**

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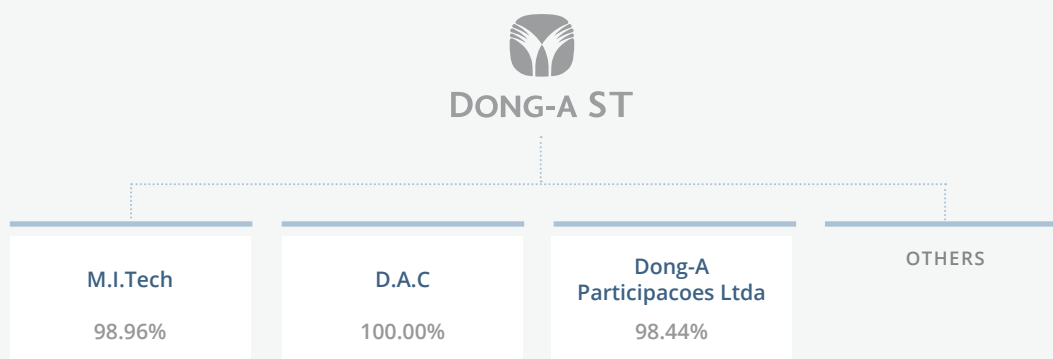
ORGANIZATION STRUCTURE

Dong-A ST is an ETC (Ethical) drug specialized company that engages in ETC drug and medical equipments and diagnostics businesses in Korea and overseas. As of the end of 2014, Dong-A ST's major subsidiaries are M.I.Tech, D.A.C (Dong-A America Corp.), and Dong-A Participacoes Ltda.

M.I.Tech manufactures and sells medical equipments; in particular, it sells gastrointestinal stents to around 50 countries worldwide. Hanaro Stent[®] is a non-vascular stent developed by M.I.Tech; this outstanding product has been recognized for its advanced technology by the US FDA (Food and Drug Administration) and Japan's MHLW (Ministry of Health, Labor, and Welfare). Sales in 2014 were KRW 10.6 billion, a year-on-year increase of 6.8%, and exports accounted for 83.0% of total sales. M.I. Tech invests more than 10% of sales into R&D.

D.A.C is a Dong-A ST's sales subsidiary in the US that handles the production and sales of Bacchus[®] in the US. In December 2014, Dong-A ST acquired D.A.C from Dong-A Socio Holdings, in order to facilitate entry into the US pharmaceutical market and increase its exports.

Dong-A Participacoes Ltda is in charge of pharmaceutical and related business development in Brazil. It is expected to act as a head office for Dong-A ST in Latin America.



(Unit: KRW billion)

	BUSINESS AREAS	ESTABLISHMENT	SALES	OPERATING PROFIT MARGIN (%)	TOTAL ASSETS
Dong-A ST	Manufacture of ETC drugs, overseas business, and medical equipments and diagnostics	March 2013	568.1	8.5	1,078.0
M.I.Tech	Production and sales of non-vascular stents	January 1991	10.6	15.3	16.2
D.A.C	Production and sales of Bacchus [®] and OTC (Over-the-counter) drugs in North America	March 1991	0.6	-	0.5
Dong-A Participacoes Ltda	Investment and development of new business in Brazil	April 2013	-	-	0.2

*As of December 31, 2014; Separate Figures

Overview

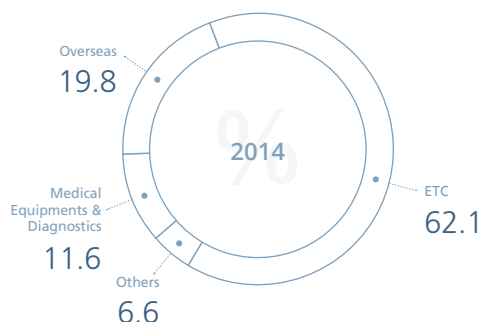


Dong-A ST has a vision of becoming a respected and leading global company developing innovative new drugs, and is doing its very best to create economic and social value to contribute the health and welfare of people all over the world.

Dong-A ST specializes in ETC (Ethical) drugs as well as medical equipments and diagnostics and overseas businesses. Dong-A ST is strengthening its market position based on its blockbuster drugs including in-house developed original drugs in the ETC and medical equipments & diagnostics businesses while expanding its global footprints, especially to emerging markets.

Key Achievements

In 2014, Dong-A ST recorded sales of KRW 568.1 billion, operating income of KRW 48.2 billion, and an operating profit margin of 8.5%, a slight year-on-year improvement. In the ETC business, the company posted sales of KRW 352.6 billion, a year-on-year fall of 8.1%, owing to the Korean government's strengthened regulations and changes in the market environment. In its overseas business, Dong-A ST recorded sales of KRW 112.3 billion, a year-on-year fall of 4.2%, attributable to sluggish sales of anti-tuberculosis drugs, and despite the success of Bacchus® in Cambodia and its growth hormone product in Brazil. In the medical equipments and diagnostics business, sales were KRW 65.7 billion, a year-on-year increase of 0.9%, despite lower medical fees and overall market stagnation.



Future Plans

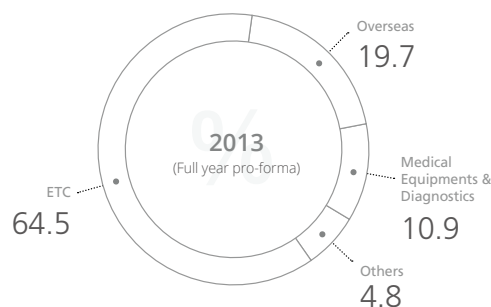
Dong-A ST is adopting a phased approach to globalization, with specific targets for 2019 following transformation in 2015 and expansion by 2017. In 2015, Dong-A ST will focus on profitability and improving the company's expertise, in order to lift domestic demand back up, increase exports, and to re-build the foundations for sustainable growth. Dong-A ST will also strengthen its R&D activities to develop innovative new drugs, and make its R&D truly befitting for a global company. The company will expand domestic and overseas businesses by 2017 through organic and inorganic growth strategies, and will accelerate the development of new global drugs. The target for overseas sales is to reach more than 30% of total sales by 2019, and this will enable the company to leverage its global value chain to strengthen its market power in Korea.

Sales by Business

(Unit: KRW billion)

	2014	2013 (Full year pro-forma)
A ETC	352.6	383.7
B Overseas	112.3	117.2
C Medical Equipments & Diagnostics	65.7	65.0
D Others*	37.5	28.6
Total	568.1	594.6

* Others include milestone fees, royalty income and rental income



Domestic Business



Based on its expertise that Dong-A ST has achieved many 'firsts' and 'bests' in Korea's pharmaceutical market and contributed to the health of the nation, it will overcome difficulties and create stronger growth by focusing on profitability and integrity.

Dong-A ST supplies ETC (Ethical) drugs, medical equipments and diagnostics products to around 1,000 hospitals and 10,000 clinics across the nation through a pharmaceutical sales system that has the highest productivity level among Korean pharmaceutical companies. The company offers around 90 ETC products, including in-house developed original drugs such as Stillen®, Zyderna®, and Motilitone®, licensed-in original drugs, bio-pharmaceuticals, and generic products. Its medical equipments include artificial joints licensed-in from Biomet, a major global medical equipments company, as well as stents and medical equipments used for thoracic surgery. Diagnostics products include a diagnostics kits and reagents licensed-in from Becton Dickinson.

About 500 ETC Medical Representatives and 80 medical equipments and diagnostics sales personnel offer high quality medical information through eleven branches and four offices, so that the company's products can be prescribed in the right place and at the right time. Dong-A ST's major production facilities can manufacture products worth around KRW 450.3 billion a year, assuming that the facilities are run an average of eight hours a day, 21 days a month, 12 months a year. The average operation rate of the whole production department is 107.0%, based on hours of operation.

2014 Performance

The Korean ETC drug market was worth around KRW 10.8 trillion in 2009, and recorded year-on-year growth of 6.3% and 5.7%, respectively, in 2010 and 2011. The market grew to KRW 12.1 trillion as of the end of 2011, leading overall growth of the Korean pharmaceutical market. However, there was negative growth in 2012 as a result of tightened regulatory policies, including the government's blanket price cuts, and changes in the marketing environment. In 2014, the ETC drug market grew by 5.6% year-on-year, to around KRW 12.4 trillion. This is attributable to changing eating habits, an aging population, and greater wealth, all of which have increased demand for medical services and more active R&D from pharmaceutical companies, to meet this demand, and the Korean pharmaceutical industry is forecast to continue to grow.

Dong-A ST is looking to increase cooperation with overseas pharmaceutical companies for competitive products, as part of its efforts to improve its market position in the face of the difficult business environment in Korea. In December 2014, Dong-A ST signed a contract with Japan's Asahi Kasei Pharma on the development and exclusive sales of Teribone®, an osteoporosis treatment, in Korea. Dong-A ST plans to register and apply for permission to sell the product in Korea, with the aim of releasing it in 2016, thus improving Dong-A ST's position in orthopedics and neurosurgery.

Production Facilities and Capacity

Plant	Size (m ²)	Produced Items	Major Products
Cheonan Plant	136,747	In-house developed original drugs and other capsules, tablets, injections, ointments, and liquid medicines	Zyderna®, Stillen®, Motilitone®
Banweol Plant	28,220	API (Active Pharmaceutical Ingredient) synthesis and anti-cancer drugs	Cycloserine, terizidone, taurine
Dalsung Plant	36,379	Bio-pharmaceuticals	Eporon®, Growtropin®, Leucostim®, Gonadopin®

In order to respond to changes in the pharmaceutical industry, and the implementation of government regulations, Dong-A ST has been training its staff on fair trade-related regulations, and conducting internal monitoring. To ensure fair sales practices, Dong-A ST has made its compliance department the largest such organization at any Korean pharmaceutical company. In addition, the CEO has been appointed as the Compliance Officer, in order to further strengthen the compliance program. Improvements to marketing were also made by holding training sessions on academic medical issues for its sales staff, to support evidence-based marketing activities.

Dong-A ST also actively responded to changes in the market environment by working together with its affiliate to generate synergy. In the medical equipments business, the company's Pharmaceutical Product Research Laboratories and M.I.Tech carried out joint research which led to the release at the end of 2014 of Hanaro Care ReJu®, a portable personal low-frequency massager. This was the successful outcome of the acquisition in 2013 of M.I.Tech, which has enabled Dong-A ST to make its own medical equipment, not just distributes licensed-in products.

Despite these efforts, Dong-ST's sales in the ETC business saw somewhat weak performance, posting sales of KRW 352.6 billion, mainly because of continued strengthening of regulatory policies and fierce competition. However, sales in medical equipments and diagnostics were KRW 37.3 billion and KRW 28.4 billion, respectively, up from the previous year despite the unfavorable environment.

Future Plans

Dong-A ST's competitiveness has been boosted by the successful completion of Dong-A Socio Group's transition to a holding company structure. It can now focus on its ETC business, and expect a recovery in sales. In 2015, Dong-A ST plans to strengthen its product portfolio by releasing 11 new ETC products, including a long-acting neutropenia treatment, a diabetes treatment, an osteoporosis treatment, and a hepatitis B treatment. It will also improve sales quality through its global level compliance program. In medical equipments and diagnostics business, Dong-A ST will strengthen its product line-up by licensing-in new products and by localizing existing products, in order to continue its growth.



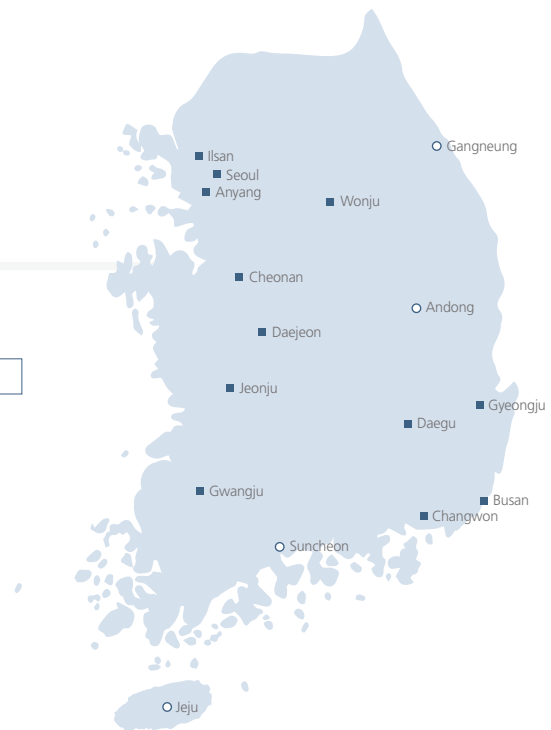
Domestic Network

LOCAL SALES ORGANIZATION

Seoul Branch	Daejeon Branch
Anyang Branch	Cheonan Branch
Ilsan Branch	Gwangju Branch
Busan Branch	Jeonju Branch
Daegu Branch	Wonju Branch
Changwon Branch	
Gyeongju Branch	

SALES OFFICE

Jeju Sales Office
Andong Sales Office
Suncheon Sales Office
Gangneung Sales Office



Major ETC Drugs

In-house Developed Original Drugs



Stillen® Tab.

Gastritis treatment

Stillen® was developed in 2002, the first in-house developed original drug by Dong-A. It is a treatment for gastritis, and its main ingredients are eupatillin and jaceosidin, extracted from the herb Artemisia. Stillen® has proven its outstanding efficacy and safety over ten years since its release, and has led the Korean defense factor promoter market since 2005. Sales in 2014 were KRW 50.4 billion.



Zydena® Tab

Erectile Dysfunction Treatment

Zydena® was the first oral erectile dysfunction drug developed in Korea, and the fourth worldwide. Since the domestic launch in 2005, it has expanded its global reach to include Brazil and other countries. Actavis, a partner company of Dong-A ST, is planning to submit an NDA (New Drug Application) to the US FDA (Food and Drug Administration) in early 2015. Zydena® was the first new chemical drug in Korea to record sales in its first year of KRW 10 billion, and cumulative sales to the end of 2014 have reached KRW 129.2 billion.



Motilitone® Tab.

Functional Dyspepsia Treatment

Motilitone® was the third in-house developed original drug by Dong-A ST. Launched in 2011 as a new phytomedicine, the main ingredients are extracts of corydaline and pharbitis. It offers a triple action – 5-HT4 agonist, D2 antagonist, and 5-HT1 agonist – and is the only functional dyspepsia treatment in Korea to do so. It became the second-leading product in the Korean functional dyspepsia market no more than a year after its release, and had the largest market share in 2013. Sales in 2014 were KRW 21.7 billion.

Incrementally Modified Drugs



Orodipine® Tab.

Hypertension Treatment

Launched in 2006, Orodipine® is a CCB (Calcium Channel Blocker) with amlodipine orotate as its main ingredient.



Orosartan® Tab.

Hypertension Treatment

Launched in 2013, Orosartan® is a combination drug consisting of two anti-hypertensive materials – ARB (Angiotensin II Receptor Blocker) and CCB. The ingredients are valsartan as the ARB and amlodipine orotate as the CCB.

Biological Products



Growtropin II® Inj.

Human Growth Hormone

Launched in 2003, Growtropin II® is a human growth hormone, and its main ingredient is somatropin. A cartridge form was added in 2008 for maximum patient convenience.



Leucostim® Inj.

Neutropenia Treatment

Launched in 1999, Leucostim® was the first in-house developed rhG-CSF (Granulocyte-Colony Stimulating Factor) medicine in Korea; its main ingredient is filgrastim.



Leucostim® Inj. Prefilled Syringe

Neutropenia Treatment

Launched in 2014, Leucostim® Inj. Prefilled Syringe is a prefilled syringe form of Leucostim®, which was previously only available in a vial. Its main ingredient is filgrastim.

Licensed-in Original Drugs



Onon® Cap.

Bronchial Asthma and Allergic Rhinitis Treatment

Launched in 1999, Onon® is a leukotriene receptor antagonist by Ono Pharmaceutical, the main ingredient of which is pranlukast hydrate 112.5 mg.



Nicetile® Tab./ Powder

Neuroprotective Agent

Launched in 1994, Nicetile® is a neuroprotective agent from Sigma-Tau Pharmaceuticals, the main ingredient of which is acetyl-L-carnitine.



Butyris® Inj.

Petit Plastic Surgery Filler

Launched in 2013, Butyris® is a high purity, monophasic-type filler, the main ingredient of which is hyaluronic acid.



Gaster® Tab./ D Tab./Inj.

Peptic Ulcer Treatment

Launched in 2002, Gaster® is an H2RA medication from Astellas Pharma, the main ingredient of which is famotidine 20mg.



Talion® Tab.

Allergic Rhinitis, Urticaria, Pruritus Treatment

Released in 2004, Talion® is a second-generation anti-histamine from Mitsubishi Tanabe Pharma, the main ingredient of which is bepotastine besilate.

	Opalmon® Tab.	Lumbar Spinal Stenosis Treatment	Launched in 1993, Opalmon® is Ono Pharmaceutical's prostaglandin E1 derivative, containing 5µg of limaprost.
	Flivas® Tab.	Benign Prostatic Hyperplasia Treatment	Launched in 2012, Flivas® is a α1d-adrenoceptor blocker from Asahi Kasei Pharma, the main ingredient of which is naftopidil.
	Nenoma® Tab.	Premature Ejaculation Treatment	Launched in 2013, Nenoma® is a premature ejaculation treatment with compound effects. The main ingredient is clomipramine hydrochloride, and it has the effect of delaying ejaculation by reabsorbing serotonin and norepinephrine.
	Valtrex® Tab.	Antiviral Agent	Launched in 2000, Valtrex® is an anti-herpes virus treatment from GSK (GlaxoSmithKline), the main ingredient of which is valaciclovir. It has diverse indications, including shingles, herpes labialis, genital herpes, prevention of CMV (Cytomegalovirus) infection, and chicken pox.
	Epocelin® Inj.	Antibiotics	Launched in 1983, Epocelin® is one of the third-generation cephalosporin family of antibiotics for injection, as developed by Astellas Pharma, the main ingredient of which is ceftizoxime sodium.
	Suprax® Tab./ Fine Powder	Antibiotics	Launched in 1992, Suprax® is one of the third-generation cephalosporin family of antibiotics for oral intake, as developed by Astellas Pharma, the main ingredient of which is cefixime.
Generic Drugs			
	Lipinon® Tab.	Hyperlipidemia Treatment	Launched in 2007, Lipinon® is a generic of Lipitor®, and the main ingredient is atorvastatin.
	Cresnon® Tab.	Hyperlipidemia Treatment	Launched in 2014, Cresnon® is a generic of Crestor®, and the main ingredient is rosuvastatin.
	Cozartan® Tab.	Hypertension Treatment	Launched in 2008, Cozartan® is a generic of ARB Cozaar®, and the main ingredient is losartan.
	Glimel® Tab.	Diabetes Treatment	Launched in 2004, Glimel® is a generic of Amaryl® from the sulfonylurea family, and the main ingredient is glimepiride.
	Glinib® Tab.	Chronic Myeloid Leukemia Treatment	Launched in 2013, Glinib® is a generic of Gleevec®, and its main ingredient is imatinib.
	Aclofen® Tab.	Anti-Inflammatory Analgesic Treatment	Launched in 2000, Aclofen® is a generic of Airtal®, and its main ingredient is aceclofenac.
	Pantoline® Tab.	Peptic Ulcer Treatment	Launched in 2006, Pantoline® is a generic of Pantoloc®, and its main ingredient is pantoprazole.
	Gabapentin® Cap.	Neuropathic Pain Treatment	Launched in 2006, Gabapentin® is a generic of Neurontin®, and its main ingredient is gabapentin.
	Monotaxel® Inj.	Anti-Malignant Tumor Drug	Launched in 2010, Monotaxel® is a generic of Taxotere®, and its main ingredient is docetaxel.
	Gemcit® Inj.	Anti-Malignant Tumor Drug	Launched in 2005, Gemcit® is a generic of Gemzar®, and its main ingredient is gemcitabine.
	Plavitor® Tab.	Platelet Aggregation Inhibitor	Launched in 2007, Plavitor® is a generic of Plavix®, and its main ingredient is clopidogrel.

Overseas Business

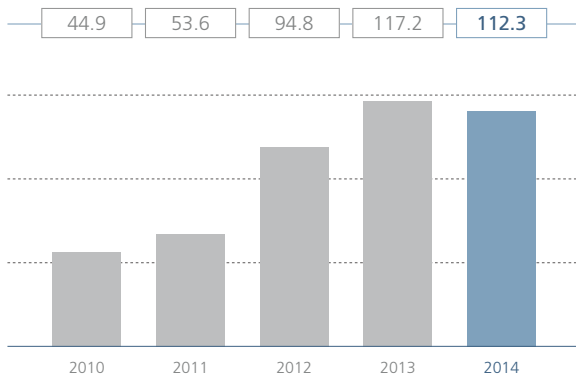


Dong-A ST is making smooth progress in its development into a truly global company by employing the best people, offering the best products, and having a strong global network with major overseas companies.

The goal of Dong-A ST is to become a global pharmaceutical company. To achieve this goal, Dong-A ST is aiming to develop new drugs that can be globally competitive; build a global network through strategic alliances with companies overseas; increase the market share of existing products; pioneer new markets; and strengthen the foundations for drug registration through overseas clinical trials. It hires outstanding talent on a regular basis, who will perform pivotal roles in 'Global Dong-A', and also operates systematic training courses such as global internships and programs to prepare its staff for working globally, as well as training systems such as the TRM (Training Road Map), all in efforts to foster the best talent.

Overseas Sales Trend

(Unit: KRW billion)



2014 Performance

Continuing Growth

Dong-A ST achieved exports of KRW 112.3 billion in 2014, a slight decrease from the KRW 117.2 billion achieved in 2013, but it is a year-on-year increase of 0.18% in dollar terms, at USD 107.6 million. This was attributable to Bacchus[®] and bio-products exported to Southeast Asia, Latin America, and the Middle East, despite a drop in sales of anti-tuberculosis drugs exported to India, Africa, and other regions. This was a significant result, bearing in mind the prolonged low-growth trend in the global economy that has come about as a result of the ending of quantitative easing in the US, slowing growth in China and other emerging economies, and weakening currencies in Russia, Japan, and Brazil. Another factor was the challenging environment in pharmaceutical markets across the world, the result of higher barriers to entry and drug price reductions.

Dong-A ST's short-term plan to generate continued growth overseas is to increase sales of Bacchus[®] and bio-products, and to get its anti-tuberculosis drugs into the Chinese market. The company's mid- to long-term plan is to sell its anti-cancer drugs in advanced markets, including the US and Japan, and to enter markets into Indonesia, Mongolia, and the Middle East through technology transfers.

Expanding the Global Network

Dong-A ST exports its in-house developed original drugs such as Stillen[®] and Zydene[®] to around 40 countries in Europe, Latin America, Asia, the Middle East, and Africa as of the end of 2014. It is also exporting bio-pharmaceuticals, including Growtropin[®], Eporon[®], and Leucostim[®], APIs (Active Pharmaceutical Ingredients) such as cycloserine, terizidone, and atorvastatin, and finished pharmaceutical products, including Bacchus[®] and Closerin[®].

CAGR of Overseas Sales

(2010-2014)

25.7

%

Dong-A ST is actively establishing a global network to create greater value in more markets. It is looking to enter both advanced markets including the US and Europe, and emerging markets such as Asia and Latin America, by establishing strategic alliances with local companies. It is already operating affiliates in the US and China, and utilizing its office in India established in 2011, and Dong-A Participacoes, a subsidiary in Brazil established in 2013, as launch-pads for the Indian and Latin American markets. But Dong-A ST offers more than economic value – social values are just as important, and that is why the company faithfully fulfills its corporate social responsibilities in ways such as sponsoring the Taekwondo Championship sport event in Liberia and providing pharmaceuticals to regions struck by the Ebola outbreak.

Future Plans

Dong-A ST will increase exports in 2015 by improving sales of its anti-tuberculosis drugs, which were sluggish last year, by expanding the markets for its existing products, and by strengthening global network. The plan is for the Overseas Unit to account for more than 30% of total sales by 2019; the company is therefore signing additional export contracts as soon as possible, and increasing the number of its export destinations. It will also expand the branch network in major overseas markets, and establish strategic alliances with overseas companies. In addition, the company aims to increase sales of existing products, actively respond to changes in the anti-tuberculosis drug market by adopting two-price system and diversifying its API sources, and develop next-generation products. Dong-A ST will also train global experts and develop competitive new drugs, all in efforts to enhance global sales.



Major Export Products

(Unit: KRW billion)

Category	Product Name	Indication	Major Export Countries	Sales in 2013*	Sales in 2014	Change (%)
Bio-pharmaceutical	Growtropin®	Human growth hormone	Brazil	25.3	32.1	26.9
	Eporon®	Renal anemia treatment	Turkey	6.0	4.8	(18.7)
	Atorvastatin	Hyperlipidemia treatment	Japan	9.1	7.4	(18.2)
APIs	Cycloserine	Tuberculosis treatment	India	18.9	7.4	(60.9)
	Terizidone	Tuberculosis treatment	South Africa	10.9	4.6	(58.2)
Finished products and others	Closerin®	Tuberculosis treatment	Europe	6.8	10.9	61.2
	Bacchus®	Tonic	Cambodia	30.5	37.2	22.1

*Full year pro-forma

Closerin[®] Cap.

Tuberculosis Treatment



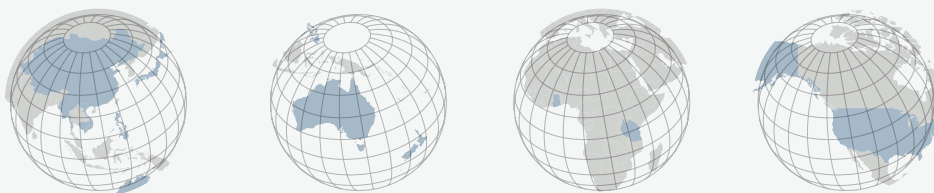
Countries and regions
where the product is or will be available

India, China, Philippines, Africa

Closerin[®] is a second-generation tuberculosis treatment, specifically prescribed to multi-drug-resistant tuberculosis patients who have developed a tolerance to primary tuberculosis medicines such as Isoniazid and Rifampicin. Dong-A ST successfully completed a WHO (World Health Organization) evaluation in December 2011, and received WHO pre-qualification and became eligible to take part in the WHO's global tenders in 2013. Dong-A ST took first place in a WHO global tender held in January 2014, meaning that it is now directly supplying the WHO with its own finished products which it had previously provided anti-tuberculosis API (Active Pharmaceutical Ingredient) to companies that supplied finished products to the WHO. Sales of Closerin[®] reached KRW 10.9 billion in 2014, a year-on-year increase of 61.2%, and continued increase in sales is expected. To expand exports further, Dong-A ST is undertaking product registration in eleven countries, including India, China, the Philippines, and countries in Africa, as well as putting into place packaging improvements and additional supply systems that will increase production capacity. The company is also developing a different form of anti-tuberculosis product to register with the WHO.

Bacchus®

Tonic



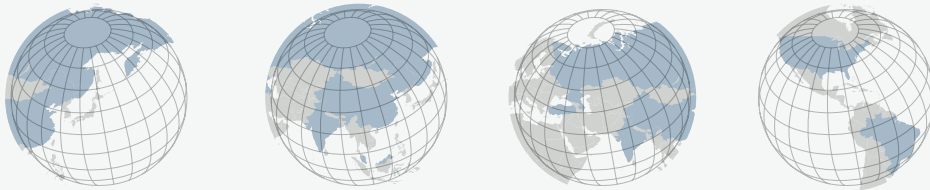
Countries and regions
where the product is or will be available

Cambodia, Philippines, Myanmar, Vietnam, Nepal, Tanzania, Ghana, US, China, Australia,
New Zealand, Japan, Mongolia, Guatemala

Bacchus® is the most popular tonic in Korea for fighting fatigue, and is looking to spread its success around the world. It is sold by Dong-A Pharmaceutical in Korea in the form of 100mℓ and 120mℓ glass bottles while the export version, which contains royal jelly and extracts of Korean ginseng, is sold by Dong-A ST in the form of a 250mℓ can. As of the end of 2014, Bacchus® was exported to 14 countries and sales for the year were KRW 37.2 billion, a year-on-year increase of 22.1% thanks to specialized strategies in each market. Cambodia has been the base for Bacchus® in Southeast Asia since 2010, and Dong-A ST's localization strategy enabled Bacchus® to record sales of KRW 26.6 billion in 2013 and KRW 34.2 billion in 2014, the highest market share in the local energy drink market. Based on this success, the company began sales of Bacchus® in Myanmar and Vietnam in 2013, and in Guatemala in 2014. Dong-A ST has begun PR activities in the Philippines, and it is preparing for the launch of Bacchus® in other Asian countries, including Nepal. As part of its efforts to enter new markets, it launched Bacchus® in Tanzania in 2013, the first African country for the product, and will soon begin exporting to Ghana.

Zydena®

Erectile Dysfunction Treatment



Countries and regions
where the product is or will be available

Russia, Turkey, Malaysia, India, Brazil, US, China, Azerbaijan

Zydena® was the first erectile dysfunction treatment developed in Korea by Dong-A ST in 2005. Supported by its strong position in Korea, export of Zydena® to Russia began in 2008, and it is now expanding its markets to include Turkey, Malaysia, and India. After launching Zydena® in Brazil in 2014, the company aims to export it to 19 countries by 2017, including the US and China. In order to increase global sales, Dong-A ST will hold the 'Zydena® Global Partners Seminar' in 2015, to invite partner companies from countries where the product is or will be available. The seminar will share information on the development and clinical data of Zydena®, marketing status in Korea, and local marketing strategies and sales plans for countries around the world.

Atorvastatin

API for Hyperlipidemia Treatment



Country where the product is or will be available

Japan

Atorvastatin is an API for Lipinon[®], a generic hyperlipidemia treatment of Dong-A ST. The company began exporting Lipinon[®] to Japan in 2011, and recorded sales of KRW 7.4 billion in Japan in 2014. Atorvastatin was able to enter Japan after satisfying strict quality standards, and so the company plans to build on this success by moving forward with the registration and sales of additional APIs for hypertension, anti-fungal drugs and finished anti-cancer drugs. This success reflects the great potential of Dong-A ST's APIs and finished pharmaceuticals in advanced markets.

Bio-pharmaceuticals



Countries and regions
where the product is or will be available

Brazil, Turkey, Middle East, Pakistan, Peru, Columbia, Chile, Mexico,
Vietnam, Thailand, Philippines, Georgia

Major bio-pharmaceutical export products include Growthropin[®], a human growth hormone, Eporon[®], a renal anemia treatment, and Leucostim[®], an anti-cancer drug. Growthropin[®] has recorded annual average growth of 48.3%, with sales of KRW 8.5 billion in 2011, KRW 14.0 billion in 2012, KRW 22.0 billion in 2013, and KRW 27.7 billion in 2014 in Brazil alone. Dong-A ST is developing various dosage sizes and forms, so that it can continue to increase the exports of bio-pharmaceutical products. It is also carrying out overseas clinical trials so that it can adhere to ever-stricter global registration regulations.

Research & Development



R&D is the foundation for Dong-A ST's sustainable growth. Dong-A ST Research Center continues to identify new pipeline entities for new global drugs performing a pivotal role as the company grows into a R&D-centered global pharmaceutical company.

The Dong-A ST Research Center consists of the Drug Discovery Research Laboratories and the Pharmaceutical Product Research Laboratories. The center focuses on developing 'The Best' new drugs by using its extensive experience in the specialized fields of new chemical drugs, phytomedicines, and IMDs (Incrementally Modified Drugs). Since establishing the center in 1977, Dong-A ST has made continuous investment and accumulated advanced technologies, making the company the most competitive of all Korean pharmaceutical companies.

The first result of this proactive R&D activities was Stillen®, Dong-A ST's first in-house developed original drug, in 2002. This was followed by the release of Zydena®, the first erectile dysfunction treatment in Korea, in 2005 and Motilitone®, a functional dyspepsia treatment, in 2011. The company

continues to succeed in new drug development—Sivextro® is an oxazolidinone class antibiotic that was licensed out to the global market in 2007. Subsequently, in 2014, Dong-A ST became the second pharmaceutical company in Korea to obtain US FDA (Food and Drug Administration) approval, and has now successfully launched Sivextro® in the US, which reflects global recognition for its R&D capabilities.

2014 Performance

Dong-A ST enjoyed multiple R&D accomplishments at home and abroad in 2014. In Korea, the company completed a phase III clinical trial of DA-1229, a new chemical entity for diabetes, and an NDA (New Drug Application) will be submitted in 2015 to the Korean MFDS (Ministry of Food and Drug Safety). Dulastin® (DA-3031), a second-generation and long-acting biopharmaceutical drug to treat neutropenia, secured Korean MFDS approval, and will soon be launched to the market.

Overseas, Dong-A ST is undertaking solo clinical trials without a local partner to strengthen the foundation for the entry into global markets. As part of these efforts, it created the Overseas Clinical Team last year, and the team is now conducting clinical trials that meet the rigid global standards from the initial clinical phase. In particular, Dong-A ST solely completed a phase I clinical trial in Europe of DA-3880 in 2014, a biosimilar of Aranesp®, which is a second-generation biomedicine for anemia, expediting its entry into global markets. The US FDA approved an IND (Investigational New Drug) application for phase II clinical trial for Motilitone® (DA-9701) a phytomedicine for functional dyspepsia, and a clinical trial will soon begin. For DA-9801, a new phytomedicine entity for diabetic neuropathy, Dong-A ST is conducting its own phase II clinical trial in the US, and it will be completed in the near future. These global clinical trials are pushing forward the global development of safety-guaranteed phytomedicines.

R&D Personnel

R&D Personnel per
Total Staff

212 13.4

Persons

%

* As of December 31, 2014

The motto of the Dong-A ST Research Center, reflecting its focus on developing best-in-class drugs

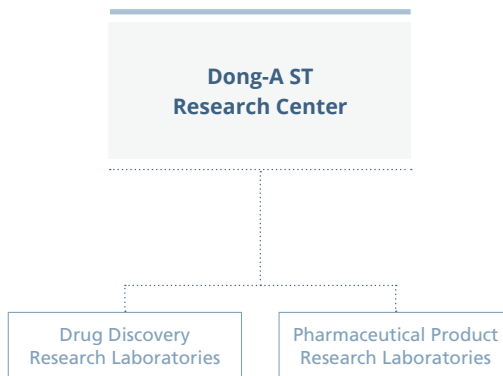
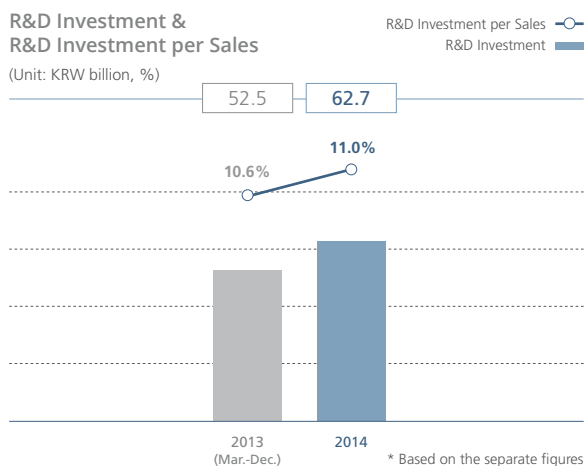
The Best

In addition, Dong-A ST is actively building a strong network in Korea and overseas with pharmaceutical companies, start-up ventures, and universities, so that the company can become a truly global R&D company. Dong-A ST has been continuously licensing out its pipelines based on these global networks. In 2014, Aranesp® biosimilar (DA-3880), a second-generation biomedicine for treating anemia, was licensed out to SKK (Sanwa Kagaku Kenkyusho) of Japan, and DA-1229, a diabetes treatment, was licensed out to Eurofarma Laboratórios of Brazil.

Future Plans

Dong-A ST's Research Center classifies its R&D into global regions, and undertakes its R&D according to the characteristics of chemical drugs and phytomedicines. This strategy is implemented by identifying the best candidate substances, with particular focus on infectious diseases and metabolic and endocrine disorders. Development is carried out simultaneously in Korea and other countries such as the US, China, India, and Japan, through licensing-out. Dong-A ST plans to strengthen pipeline entities that are expected to enjoy rapid success by expanding its development of IMDs through the application of fusion technology and repositioned drugs by looking into new mechanisms for existing drugs. In particular, the company will build a core technology platform in order to strengthen its research competitiveness, and maximize its research productivity by making the best use of outside funds and outsourcing, establishing a company-wide portfolio management system, and by strengthening its feasibility analysis capabilities.

Dong-A ST will target R&D investment of at least 10% of sales, to expedite the development of new global drugs. To access quality talent, the key to success in R&D, the company will actively hire and foster people by building a database of target personnel and hiring more overseas experts to contribute in their respective regions. The number of R&D personnel at Dong-A ST is growing steadily, and the company plans to hire 400 R&D experts by 2019. These bold investments into R&D will help Dong-A ST to become a truly global pharmaceutical company.



R&D Pipeline

CODE NAME (BRAND NAME)	DESCRIPTION	INDICATION	DEVELOPMENT STAGE	LICENSING AVAILABILITY
New Chemical Entity				
DA-8159 (Zydena®)	PDE(Phosphodiesterase)-5 inhibitor	Erectile dysfunction	Launched (Korea) Ready to NDA (USA)	Available for some territories
		Benign prostatic hyperplasia	Ph II completed (USA)	Available for some territories
		Pulmonary arterial hypertension	Ph II (Korea)	Available for some territories
DA-7218 (Sivextro®)	Oxazolidinone class antibiotic	Infection (ABSSSI, Acute Bacterial Skin and Skin Structure Infections)	Launched (USA) MAA submitted (EU)	
		Pneumonia (Hospital-Acquired/ Ventilator-Associated Bacterial Pneumonia)	Ph III (Global)	
DA-1229	DPP(Dipeptidyl Peptidase)-4 inhibitor	Type 2 diabetes	Ready to NDA (Korea)	Available for some territories
DA-6886	5-HT (Hydroxytryptamine)4 agonist	Irritable bowel syndrome-constipation	Ph I completed (Korea)	Available
DA-8010	M ₃ receptor antagonist	Overactive bladder	Non-clinical (Korea)	Available
DA-4210	SARM (selective androgen receptor modulators)	Sarcopenia	Non-clinical (Korea)	Available
DA-1241	GPR119 agonist	Type 2 diabetes	Non-clinical (Korea)	Available

* As of December 31, 2014

KEY PIPELINE ITEMS

[DA-8159, Udenafil; Zydena®]

Udenafil is an oral ED (Erectile Dysfunction) medication. It is the first such drug developed in Korea and the fourth globally. Udenafil was licensed out to Warner Chilcott (acquired by Actavis) of the US for the territory of the US and Canada in 2009, and the company has successfully completed phase III clinical trials in the US. An NDA (New Drug Application) is planned to be submitted to the US FDA (Food and Drug Administration) in January of 2015. Udenafil has also shown potentials for non-ED indications such as BPH (Benign Prostatic Hyperplasia) and PAH (Pulmonary Arterial Hypertension). With regard to BPH, a license agreement was signed with Warner Chilcott for the territory of North America, and Warner Chilcott has completed a phase II clinical trial in the US. Dong-A ST also signed an exclusive license agreement with Meiji Seika Pharma for the Japanese market in 2011 for the urological indications of Udenafil. With regard to PAH, Dong-A ST is conducting a phase IIb clinical trial in Korea.

[DA-7218, Tedizolid; Sivextro®]

Tedizolid is a second generation oxazolidinone class antibiotic developed for both intravenous (I.V.) and oral administration to treat serious gram-positive infections, including those caused by MRSA (Methicillin-Resistant Staphylococcus Aureus). Dong-A ST licensed-out Tedizolid to US-based Trius Therapeutics in 2007 for all territories outside Korea. Since then, Trius Therapeutics has developed Tedizolid from phase I to phase III clinical trials for the indication

of ABSSSI (Acute Bacterial Skin and Skin Structure Infections), which demonstrated that Tedizolid with shorter course of therapy was statistically non-inferior to the same class competitor on the market in the primary and secondary efficacy endpoints. Also, Tedizolid showed better safety profile compared to such competitor and is expected to enhance patient compliance considering its once daily treatment. In 2013, Trius Therapeutics was acquired by Cubist, and Cubist launched Tedizolid under the brand name of Sivextro® following an NDA approval by the US FDA in June 2014. In addition, it is expected that the marketing authorization of Sivextro® will be granted by the EMA (European Medicines Agency) in the first half of 2015 and then Sivextro® will be launched in Europe. Currently, global phase III study for hospital-acquired/ventilator-associated bacterial pneumonia (Hospital-Acquired/Ventilator-Associated Bacterial Pneumonia) is on-going. In Korea, an NDA was submitted to the Korean MFDS (Ministry of Food and Drug Safety) in 2014, and its approval is expected in the first half of 2015.

[DA-1229, Evogliptin]

Evogliptin is an anti-diabetic compound of the DPP(Dipeptidyl Peptidase)-4 inhibitor class with high selectivity for DPP-4. The phase I clinical trial for Evogliptin showed that a single administration of Evogliptin 5mg inhibited DPP-4 activity by more than 80%, and a repeated once daily dose of Evogliptin 5mg maintained the inhibition of DPP-4 for more than 24 hours. In the phase II clinical trial, it was

confirmed that Evogliptin 5mg significantly decreased HbA1C compared to placebo. As PK studies in animal models and healthy human volunteers showed low renal elimination of unchanged form of Evogliptin, it is expected not to require dose titrations in renal-impaired patients with diabetes. Evogliptin was licensed out to Luye Pharma Group of China and Alkem Laboratories of India in 2012, and additionally licensed out to Eurofarma Laboratórios of Brazil in 2014. Currently, all partners are planning to conduct local clinical trials in their territories. In Korea, Dong-A ST expects to submit an NDA to the MFDS in the first half of 2015.

[DA-1241]

DA-1241 is a novel small molecule of GPR 119 agonist at the non-clinical stage for type 2 diabetes. DA-1241 showed higher potency and efficacy than its competitors in vitro and in vivo studies by inducing unique well-balanced signaling. The glucose-lowering efficacy of DA-1241 was sustained during the period of 6-week treatment in diabetic mice model, which implies no tachyphylaxis issue in chronic dosing. DA-1241 also effectively inhibited postprandial increase of plasma lipid levels in mice. Collectively, it is expected that DA-1241 could offer therapeutic benefits for the treatment of type 2 diabetic patients with dyslipidemia by controlling postprandial lipid as well as glucose levels, at similar dose range. Also, based on its PK profile in animals, it is expected that DA-1241 has feasibility for once-daily dosing in humans.

CODE NAME (BRAND NAME)	DESCRIPTION	INDICATION	DEVELOPMENT STAGE	LICENSING AVAILABILITY
Phytomedicine				
DA-9701 (Motilitone®)	Herbal extract	Functional dyspepsia	Launched (Korea) Ph II planned (USA)	Available
DA-9801	Herbal extract	Diabetic neuropathy	Ph II completed (Korea) Ph II completed (USA)	Available
DA-9803	Herbal extract	Alzheimer's disease	Non-clinical (Korea)	Available
DA-9805	Herbal extract	Parkinson's disease	Non-clinical (Korea)	Available
Bio-pharmaceutical Products				
DA-3801 (Gonadopin®)	Recombinant FSH (Follicle Stimulating Hormone)	COH (Controlled Ovarian Hyper-stimulation) in ART Ovulation induction in anovulatory women	Launched (Korea) NDA submitted (Korea)	Available for some territories
DA-3031	PEG-G-CSF (Pegylated-Granulocyte- Colony Stimulating Factor)	Neutropenia	NDA approved (Korea)	Available
DA-3803	Recombinant hCG (human Chorionic Gonadotropin)	Infertility	Ph III completed (Korea)	Available
DA-3051	Interferon-β	Multiple sclerosis	Ph III planned (Brazil)	Available
DA-3030	G-CSF (Granulocyte-Colony Stimulating Factor)	Diabetic neuropathy	Ph II completed (Korea)	Available
DMB-3111	Trastuzumab biosimilar	Breast cancer	Ph I completed (Japan)	Available except Korea and Japan
DA-3880	Glyco-engineered Darbepoetin α biosimilar	Anemia	Ph I completed (EU)	Available except Korea and Japan
DA-3808	Recombinant Factor VIII biosimilar	Hemophilia A	Non-clinical completed (Korea)	Available
DMB-3853	Etanercept biosimilar	Rheumatoid arthritis	Non-clinical (USA)	Available except Korea and Japan
DMB-3113	Adalimumab biosimilar	Rheumatoid arthritis	Non-clinical (UK)	Available except Korea and Japan
DA-3131	New anti-VEGF mAb	Age-related macular degeneration	Non-clinical (Korea)	Available

* As of December 31, 2014

KEY PIPELINE ITEMS**[DA-3880]**

DA-3880 is a biosimilar of darbepoetin-α, which stimulates erythropoiesis (increases red blood cell levels) and is used to treat anemia, commonly associated with chronic renal failure and cancer chemotherapy. While erythropoietin is usually administered three times a week, DA-3880 is being developed as a once-weekly treatment, depending on the indication, and is therefore expected to enhance patient compliance. Due to the complex glycosylation of the reference product, the development of a biosimilar with a high similarity is generally difficult. However, the high similarity of DA-3880 to the reference product was demonstrated through non-clinical and European phase I clinical studies. In January 2014, Dong-A ST signed a license agreement

with SKK (Sanwa Kagaku Kenkyusho) of Japan, and Dong-A ST will supply DA-3880 finished product to SKK when it has been commercialized in Japan.

[DMB-3111]

DMB-3111 is a biosimilar of Trastuzumab, which is a monoclonal antibody that interferes with the HER2 receptor. Its main use is to treat metastatic/early breast cancer and metastatic gastric cancer. DMB-3111 is one of the assets in terms of co-development with Meiji Seika Pharma of Japan and the result of Japanese phase I clinical trial was showed high similarity with reference product. Dong-A Socio Holdings is currently in active discussion with global, regional development and commercialization partnering candidates.

[DMB-3113 and DMB-3853]

Dong-A Socio Holdings and Meiji Seika Pharma have another monoclonal antibody biosimilars, DMB-3113, Adalimumab biosimilar is on-going in non-clinical. DMB-3853, biosimilar for Etanercept, set the high productivity's cell line (MCB/WCB), the production process, and CMC package.

DONG-A ST

FINANCIAL REVIEW

Management's Discussion & Analysis

I. Outline

Dong-A ST is the ETC (Ethical) drug specialized affiliate of Dong-A Socio Group, established following the change to a holding company structure of the former Dong-A Pharmaceutical in March 2013. Its full range of businesses includes ETC drugs, medical equipments & diagnostics, and overseas business.

This MD&A (Management's Discussion & Analysis) is based on separate financial statements of Dong-A ST. Its 2013 financial statements detail the performance from March 1st, the date of the demerger, through to December 31st, which makes a direct comparison between the financial statements for 2013 and those for 2014 difficult. The company does not make any claims or provide any guarantees regarding the accuracy and integrity of the forward-looking information included in this MD&A. In particular, comments on the company's future business outlook and other forecasts, such as Dong-A ST's business goals, are based on its own analyses of business, economic and market environments, therefore, they include uncertainties and may change due to unforeseen factors. Because of these uncertainties, there may be significant differences between the forecasts provided in this material and future performance.

The Economy and the Pharmaceutical Market in 2014

According to the IMF (International Monetary Fund), the global economy grew by around 3.3% in 2014, thanks to the gradual economic recovery in major economies, and the resulting increase in exports from major emerging countries. The Korean economy also grew by 3.3%, faster than the average growth rate for advanced economies, which was 1.8%, however, domestic demand remains sluggish as does consumption and investment.

According to IMS Health Data, global pharmaceutical markets have been recovering since 2013, the outcome of the gradual global economic recovery, and are forecast to reach around USD 1.3 trillion in 2018. The population of people aged 65 and older is expected to rise sharply over the next five years, which will lead to a big increase in demand for pharmaceuticals – growth is forecast to peak at 7% between 2014 and 2015, and then settle at 4~7% through to 2018. In 2014, the growth rate in consumption of pharmaceuticals rose substantially in major economies, attributable to a reduced number of patent expiries, an increase in the release of new innovative drugs, and higher drug prices. In addition, pharmerging markets saw strong growth, driven by the Chinese market.

After the Korean government's implementation of a blanket price cut policy in 2012, the nation's ETC market decreased in size to around KRW 11.7 trillion through 2013, becoming stagnant. However, the market grew by 5.7%, to reach KRW 12.4 trillion, despite the government's continued strengthening of regulatory policies and challenges in the business environment in 2014. Since the implementation of the blanket price cut, the government's expenses on drugs covered by national health insurance have grown slowly. As a result, Korea recorded a surplus in its national health insurance finances in 2013 and 2014, which reduces the possibility of an additional price cut in the near future. The domestic market is now expected to recover gradually thanks to the expected increase in demand for medical services, the result of an aging population, greater national wealth as well as increased pharmaceutical R&D to meet the demand.

II. Major Business Performance

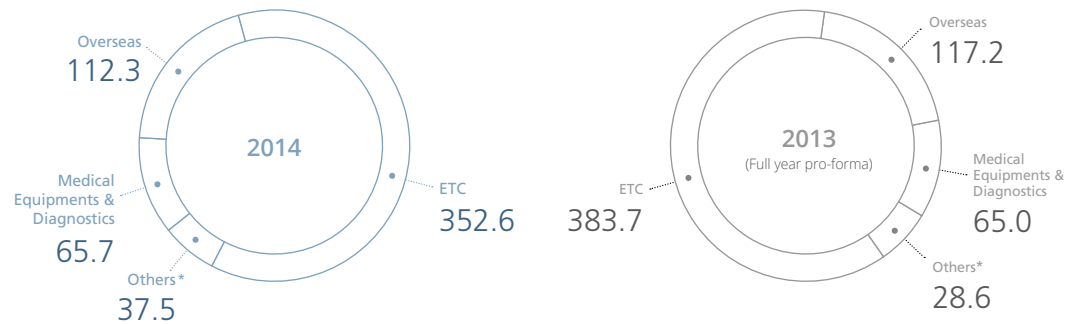
1. Sales

Dong-A ST's accounts for 2013 run from March 1st, the date of the demerger, through to December 31st, therefore, a direct comparison between 2013 and 2014 is difficult. In order to make comparisons, estimates were made for each unit's performance in January and February before the demerger. According to the data, sales of the ETC Unit and the Overseas Unit fell by 8.1% and 4.2%, respectively, while sales of the Medical Equipments & Diagnostics Unit and others were up by 0.9% and 31.3%, respectively. The substantial increase in others sector was the result of an inflow of milestone fee and royalty income for pipelines that had previously been licensed-out, leading to additional sales of KRW 8.9 billion.

The percentage of sales accounted for by the ETC Unit declined by 2.4% points, from 64.5% to 62.1%. The Overseas Unit grew by 4.5% points, from 15.3% to 19.7%, in 2013, and remained fairly constant at 19.8% in 2014. The Medical Equipments & Diagnostics Unit increased 0.7% points, from 10.9% to 11.6%, and other sectors went up by 1.8% points, from 4.8% to 6.6%.

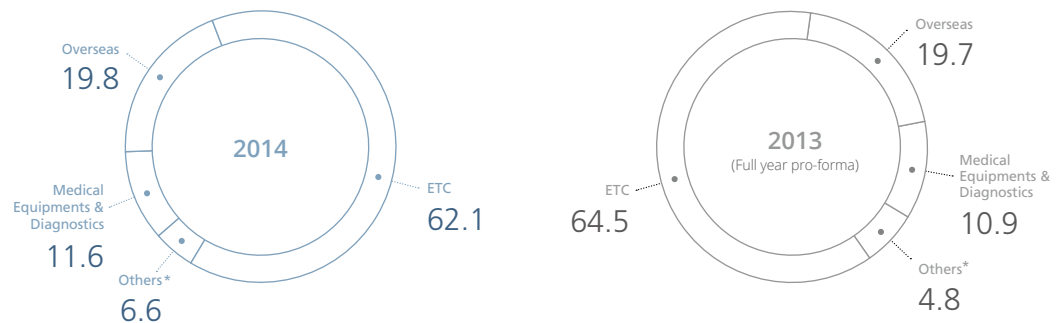
SALES BY UNIT

(Unit: KRW billion)



PROPORTION OF SALES BY UNIT

(Unit: %)



* Others include milestone fees, royalty income and rental income

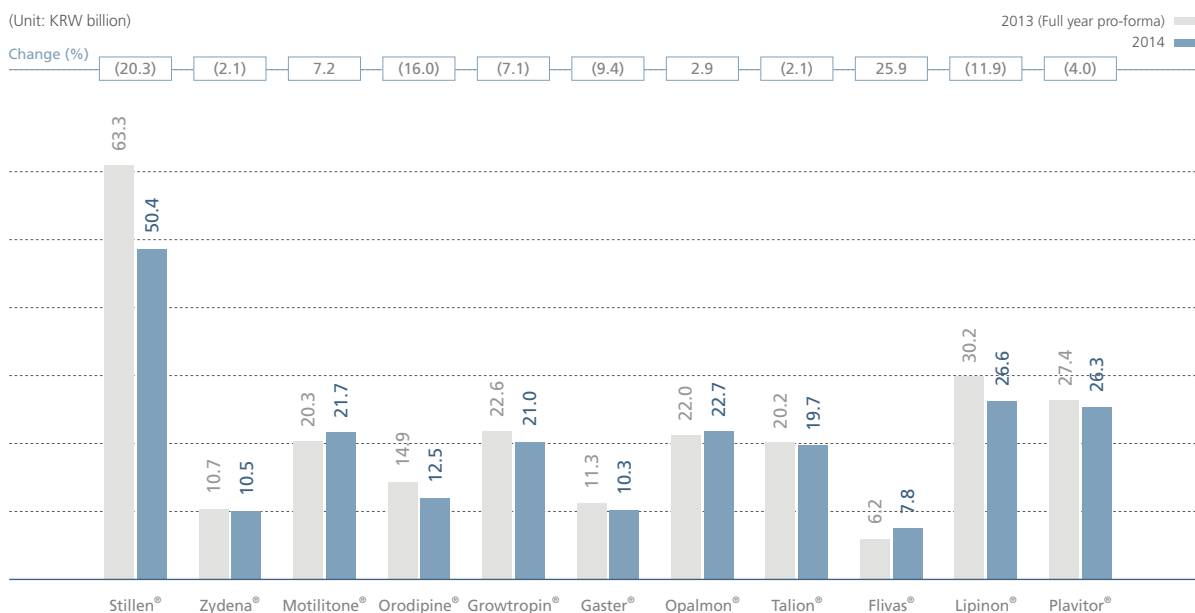
1A. ETC Unit

Sales of most major products fell slightly due to the government's continued strengthening of its regulatory policies and increased competition against the company's major products. As a result, sales were relatively weak and declined 8.1% over the year, recording KRW 352.6 billion. The strengthening of rebate regulations in July 2014 had been expected to result in enhanced transparency in distribution; however, it actually led to an imbalance between top-tier pharma and SMEs (Small and Medium-sized Enterprises) in their observance of compliance regulations. This led to a better market position for SMEs albeit temporarily, and reduced domestic sales for large companies. In the mid- to long-term, however, observance of compliance regulations will grow in importance and large companies should be able to win back market share.

Stillen[®], Dong-A ST's in-house developed original drug for gastritis, suffered an especially large drop in sales. Competition from IMDs (Incrementally Modified Drugs) released since 2012 led to a decline in sales of 20.3% year-on-year. However, there were steady increases in sales of Motilitone[®], an in-house developed original drug to promote gastrointestinal motility, and Flivas[®], a licensed-in drug for benign prostatic hyperplasia, and future sales are also forecast to continue to grow.

The patent for Stillen[®] expires at the end of July 2015, so the company expects a price reduction thereafter. Dong-A ST, however, plans to roll out a sustained release IMD, to counteract the effects of the expected fall in sales due to the price reduction. The company will also release eleven or more new products, including in-house developed original drugs and generics for blockbuster items, in order to increase the size of the ETC Unit. In particular, the company will expand its drug portfolio, which has previously been focused more on digestive and urologic drugs such as Stillen[®], Motilitone[®] and Zydena[®], to include diabetes, anti-cancer, and hepatitis drugs, all of which are areas where strong growth is expected. There will be additional training for Medical Representatives to improve their expertise in pharmaceuticals and to promote evidence-based academic activities. The company will also continue to strictly observe compliance regulations, to recover growth momentum for its ETC Unit.

SALES OF MAJOR ECT PRODUCTS



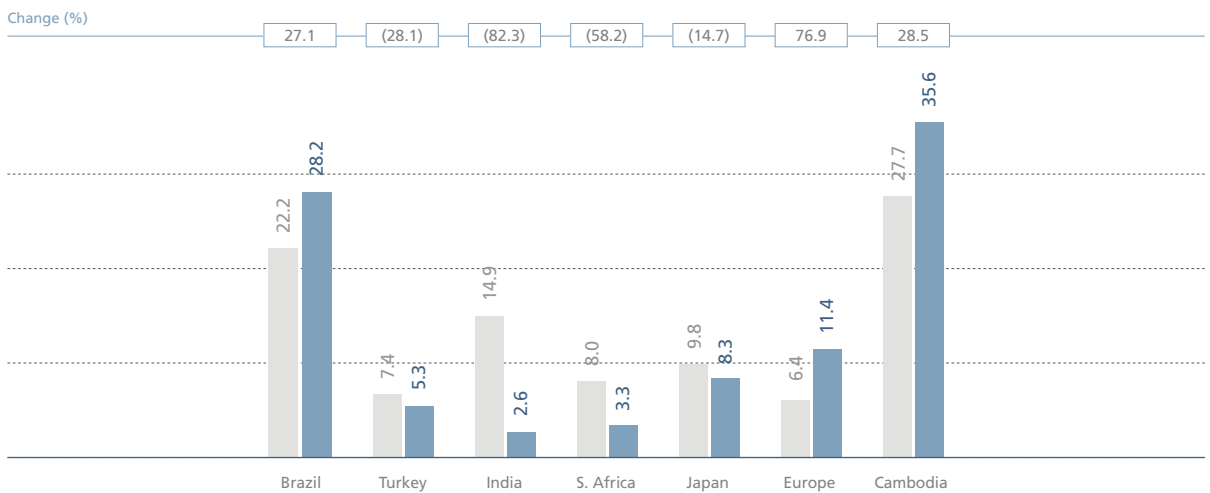
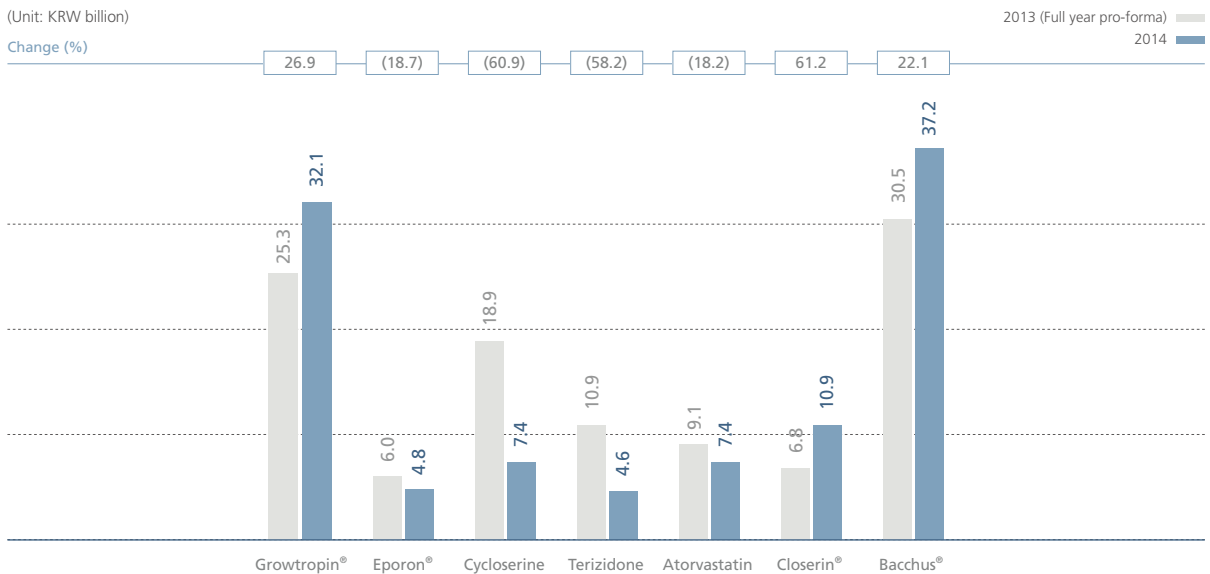
1B. Overseas Unit

Dong-A ST is actively moving beyond the stagnant domestic market to make inroads into overseas markets with higher growth potential. Its Overseas Unit has recorded annual average growth of more than 20% since 2008, when exports sales were fully established. However, sales in 2014 fell by 4.2% year-on-year, to stand at KRW 112.3 billion, mostly due to a delay in orders for anti-tuberculosis drug APIs (Active Pharmaceutical Ingredients), and the weak US dollar in the first half of the year. Exports of Cycloserine and Terizidone, APIs for tuberculosis drugs, were sluggish. However, exports to Brazil of Growsopin[®], a human growth hormone biomedicine, continued to grow, posting a year-on-year increase of 26.9% in 2014, and Bacchus[®], which is mainly exported to Cambodia, saw a continued rise in sales of 22.1% year-on-year. The company began exporting Closerin[®], a finished tuberculosis treatment, to the WHO (World Health Organization) in 2013, and sales are expected to grow in 2015 as well.

The plan for 2015 is to increase sales of existing products and to add new export destinations. In the mid- to long-term, the company will move beyond simply exporting its products, and will implement localization strategies by establishing joint ventures or strategic alliances with overseas pharmaceutical companies, in order to enter new markets and increase exports.

SALES OF MAJOR ECT PRODUCTS

(Unit: KRW billion)

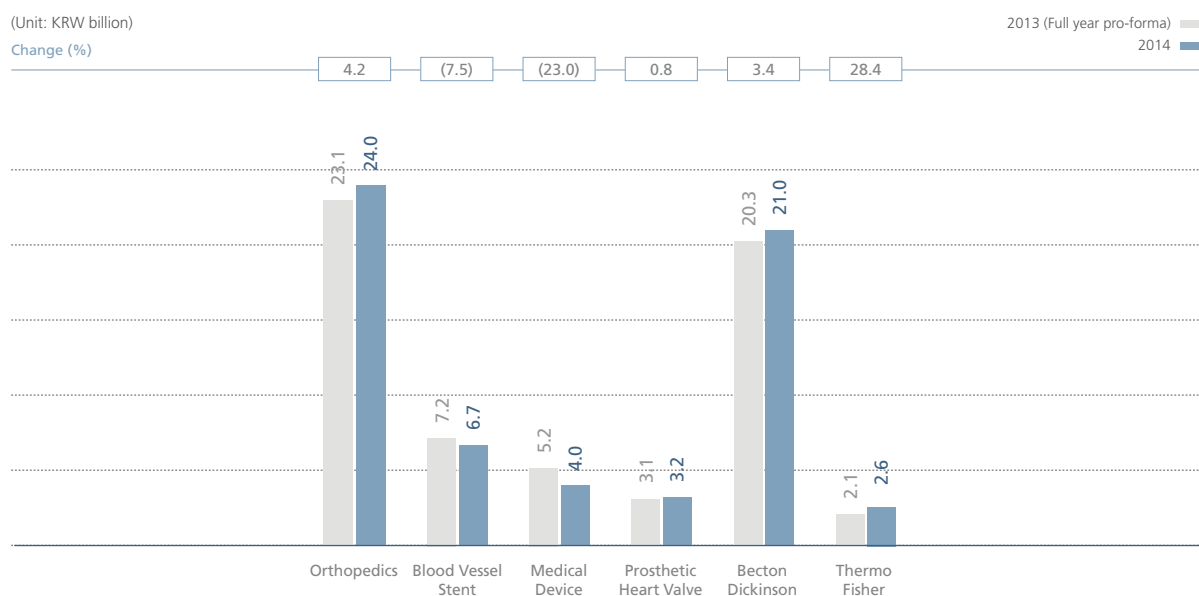


1C. Medical Equipments & Diagnostics Unit and Others

Despite the overall stagnation in the domestic market, the Medical Equipments & Diagnostics Unit posted sales of KRW 65.7 billion, up 0.9% from the previous year. Sales in the medical equipments sector fell by 7.4% to stand at KRW 37.3 billion, owing to a reduction in medical fees for orthopedics and the ending of sales of dental implants. In contrast, sales in the diagnostics sector were up 14.5% year-on-year to KRW 28.4 billion, the result of good growth in sales of Diasorin's immunodiagnosis reagent, and other new products. The company is expecting an increase in sales in 2015, with additional new licensed-in products, and in the mid- to long-term, it aims to move beyond the distribution of licensed-in products, and sell its own products by undertaking joint R&D of medical equipments with M.I.Tech, a subsidiary of Dong-A ST.

In others sector, the company recorded sales of KRW 37.5 billion, a year-on-year increase of 31.3%. This was attributable to the increased sales in milestone fee from the licensed-out pipeline products under development. Sivextro[®], an antibiotic to target super bacteria that it licensed out in 2007, was launched in the US, and generated milestone fee of around KRW 4 billion. Royalties for sales in the third quarter of 2014, which was the first quarter after the launch of Sivextro[®], were recognized as sales in other sectors. In addition, there were milestone fee from the licensing-out of DA-3880 to Japan and DA-1229 to Brazil. Sales in other sectors also include research service commissions and rental income from Dong-A Socio Holdings and Dong-A Pharmaceutical since the demerger.

SALES OF MAJOR MEDICAL EQUIPMENTS & DIAGNOSTICS PRODUCTS



2. Profit and Loss

In 2014, Dong-A ST recorded sales of KRW 568.1 billion, an operating profit of KRW 48.2 billion, and a net profit of KRW 34.3 billion. This was a turnaround from 2013, when the company recorded a deficit mainly due to taxes payable resulting from a regular tax audit. The 2013 income statement covers the period from March, when the demerger took place, through December, which makes absolute comparisons difficult. However, some comparisons can be made by looking at financial ratios. The cost of goods sold ratio in 2014 was 46.5%, a year-on-year improvement of 0.7% points, while the SG&A expenses ratio was 45.0%, similar to last year's, and the operating profit margin was 8.5%, a year-on-year increase of 0.5% points. The company aims to improve profits in 2015 by controlling the cost of goods sold and SG&A expenses.

Dong-A ST treats all R&D costs as expenses. R&D investments in 2014 amounted to 11.0% of total sales, and it plans to make R&D investments of 10-11% of total sales in 2015. The profit before income tax margin in 2014 was 7.8%, while the effective income tax rate was 22.3%, and the net profit margin was 6.0%.

SUMMARIZED SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

(Unit: KRW billion)	2014	2013 (Mar.-Dec.)
Sales	568.1	495.8
Cost of goods sold	264.0	233.8
Cost of goods sold ratio	46.5%	47.2%
Gross profit	304.1	262.0
SG&A expenses	255.9	222.6
SG&A expenses ratio	45.0%	44.9%
R&D expense	62.7	52.5
R&D expense ratio	11.0%	10.6%
Operating profit	48.2	39.4
Operating profit margin	8.5%	8.0%
Other income	5.2	5.1
Other costs	4.2	22.3
Finance income	14.1	13.7
Finance costs	19.1	18.6
Interest expense	14.0	11.6
Profit before income tax	44.2	17.3
Income tax	9.9	82.6
Effective income tax rate	22.3%	-
Net profit	34.3	(65.3)
Net profit margin	6.0%	-

3. Financial Position

Dong-A ST's total assets went up 16.4% in 2014, to reach KRW 1,078.0 billion at year-end. Current assets rose by 46.2%, from KRW 325.2 billion to KRW 475.5 billion, and in particular, cash and cash equivalents rose sharply by KRW 165.9 billion; this was mainly due to the issuance of three-year corporate bonds worth KRW 30.0 billion and five-year corporate bonds worth KRW 40.0 billion in the fourth quarter of 2014, to raise funds for equipment purchases and for general operating funds. The figure was also lifted by an increase in foreign currency deposits as a result of increased exports. The bond issues led to a 21.5% increase in total liabilities, from KRW 486.3 billion to KRW 591.2 billion, and the borrowings ratio went up by 12.4% points to 92.2%. The net gearing ratio fell by 19.2% to 34.3% thank to the increase in cash, and the current ratio increased a little from 1.9x to 2.1x.

Total liabilities were up by 21.5%, from KRW 486.3 billion to KRW 591.2 billion. Current liabilities rose by 30.8%, from KRW 169.9 billion to KRW 222.2 billion, while non-current liabilities increased 16.6%, from KRW 316.5 billion to KRW 369.0 billion. The increase in current liabilities and non-current liabilities was also a result of the bond issues worth around KRW 70.0 billion in the fourth quarter of the year. For the same reason, the borrowings ratio increased from 79.8% to 92.2%, but the increased cash resulted in a substantial improvement in the net gearing ratio, from 53.5% to 34.3%.

Total shareholders' equity increased by 10.8%, from KRW 439.4 billion to KRW 486.8 billion, mainly due to 351,020 redeemable convertible preferred stocks being converted to common stocks. Shareholders' equity in 2014 was also boosted by retained earnings, which reached KRW 39.7 billion after having been negative in 2013 because of the tax payments.

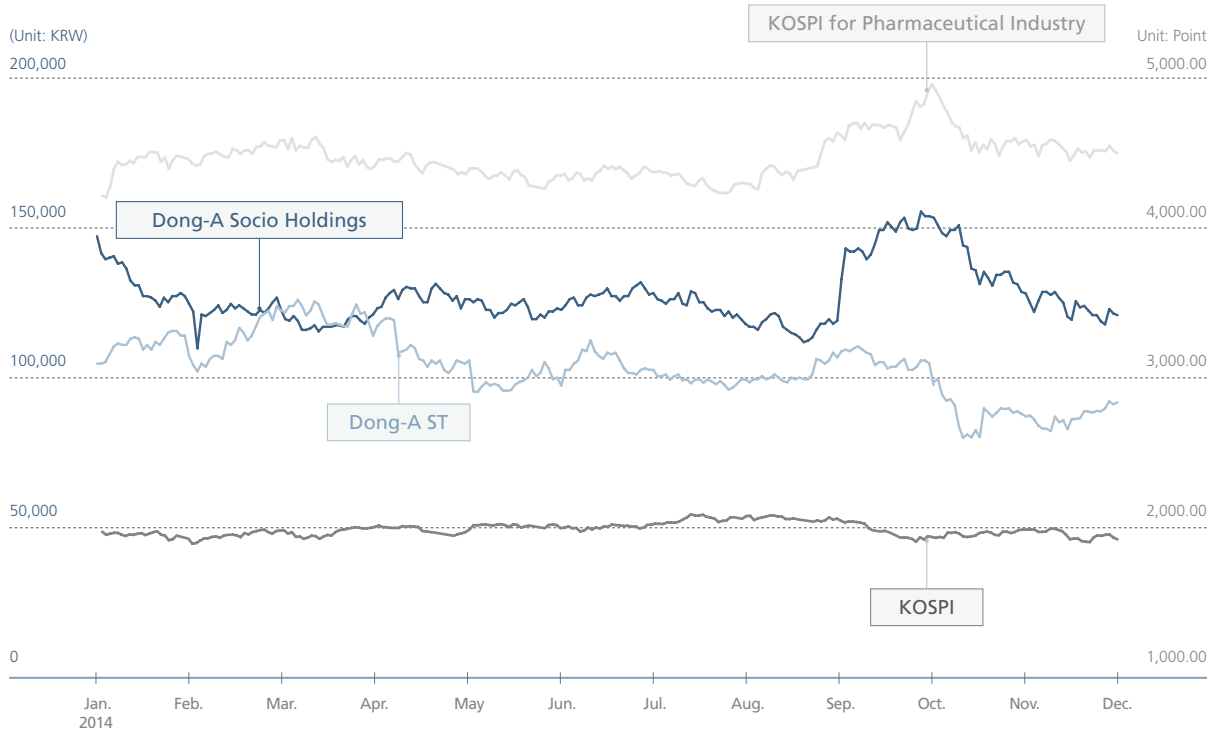
SUMMARIZED SEPARATE STATEMENTS OF FINANCIAL POSITION

(Unit: KRW billion)	Dec. 31, 2014	Dec. 31, 2013	Change (%)
Total assets	1,078.0	925.7	16.4
Current assets	475.5	325.2	46.2
Cash and equivalents	281.6	115.7	143.3
Receivables	86.3	95.9	(10.1)
Inventories	84.6	91.6	(7.6)
Others	23.0	22.0	4.5
Non-current assets	602.5	600.5	0.3
Total liabilities	591.2	486.3	21.5
Current liabilities	222.2	169.9	30.8
Non-current liabilities	369.0	316.5	16.6
Total shareholders' equity	486.8	439.4	10.8
Borrowings	448.7	350.8	27.9
Net debt	167.1	235.1	(28.9)

KEY RATIOS

(Unit: %)	Dec. 31, 2014	Dec. 31, 2013	Change (%p)
Debt-to-equity ratio (Total liabilities / Total shareholders' equity)	121.4	110.7	10.7
Borrowings ratio (Total borrowings / Total shareholders' equity)	92.2	79.8	12.4
Net gearing ratio (Total borrowings - cash / Total shareholders' equity)	34.3	53.5	(19.2)
Current ratio (Current assets / Current liabilities)	214.0	191.5	22.5

4. Stock Performance



III. Major Business Issues

In 2014, Dong-A ST actively responded to major changes in the pharmaceutical industry, and invested in developing new global drugs in order to achieve its goal of becoming a global pharmaceutical company. Sivextro[®], an antibiotic targeting super bacteria, received new drug approval from the US FDA (Food and Drug Administration) for ABSSSI (Acute Bacterial Skin and Skin Structure Infections), and was launched in the US market. The company plans to complete the approval process and release Sivextro[®] in Europe and Korea in 2015. It is also progressing well with the phase III clinical trial for the new pneumonia indication, implying the development of new global drug is on the horizon.

DA-3031 (Dulastin[®]), a long-acting neutropenia drug, has been approved in Korea, and DA-1229, a diabetes treatment that has been licensed out to China, India, and Brazil, has been completed clinical trials in Korea, aiming to release it in Korea in 2015. In addition, DA-3880, a long-acting biosimilar stimulating erythropoiesis, has been licensed out to SKK (Sanwa Kagaku Kenkyusho) of Japan.

IV. Economic Outlook and Management Strategies for 2015

The IMF forecasts that the global economy in 2015 is expected to grow 3.5%, helped by the fall in international oil prices but hindered by slowing growth in major economies such as Europe and Japan, and in emerging countries such as China and Russia. Korea is also expected to record growth of around 3.5%, held back by sluggish domestic demand, low inflation, and stagnant export growth.

Against this backdrop, there is ever-greater emphasis being placed on transparency and ethical management in the Korean pharmaceutical industry. In addition, continuous R&D investment and entry into overseas markets are becoming more and more vital. These rapid changes in the industry environment will gain more momentum in the future, so in order to become both a leader in the Korean pharmaceutical market and a truly global pharmaceutical company, Dong-A ST will focus on three major strategic aims in 2015.

First, the company will release competitive new products and focus on profitability. These new products will strengthen the company's product line-up which will recover its domestic sales. The company will also achieve stable growth by expanding exports of its major products, and by increasing milestone and royalty income through the licensing-out of its R&D pipelines. In addition, Dong-A ST will further strengthen the compliance program that it implemented last year, in order to establish a foundation for continued growth based on profit-centered management.

Second, the company will continue to move forward with the globalization of Dong-A ST. It has begun to execute localization strategies in pharmerging markets, including Indonesia, Brazil, Mongolia, and China in addition to product exports to the countries, and also has offered global internships over the past few years. It will continue to strengthen its global network and foster international talent this year as part of its efforts to build a global pharmaceutical infrastructure.

Third, the company will strive to develop new global drugs through R&D. The successes of Sivextro[®] in 2014 showed how outstanding its R&D capabilities are, and it will continue to invest in R&D in order to develop highly marketable new global drugs, in line with its motto of "developing new drugs is our way to contribute to society".

In 2014, Dong-A ST strengthened the foundations for its growth into a global pharmaceutical company. In 2015, the company will look to innovation as the next stage in its global development. Everyone at Dong-A ST will do their best to maximize value for shareholders by identifying market trends and changes in the business environment, focusing on innovation, and implementing the best in transparent and ethical management.

Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Dong-A ST Co., Ltd.:

We have audited the accompanying separate financial statement of Dong-A ST Co., Ltd. (the "Company"), which comprise the separate statements of financial position as at December 31, 2014 and 2013, the separate statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Korean International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Separate financial statements.

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2014 and 2013 and its separate financial performance and its separate cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Other Matter

The accompanying separate statement of financial position of the Company as of December 31, 2013, and the related separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, were audited by us in accordance with the previous auditing standards generally accepted in the Republic of Korea.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 9, 2015

This report is effective as of March 9, 2015, 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 Separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Separate Statements of Financial Position

As of December 31, 2014 and 2013

(In thousands of won)

	2014	2013
Assets		
Cash and cash equivalents	₩ 281,578,610	115,746,113
Trade receivables	86,261,732	95,921,399
Other receivables	5,113,147	5,004,219
Other financial assets	16,131,932	13,228,800
Inventories	84,578,716	91,557,282
Other current assets	1,795,995	3,771,591
Total current assets	475,460,132	325,229,404
Long-term financial instruments	7,500	7,500
Other receivables	1,135,780	2,567,235
Other financial assets	10,130,863	17,288,219
Property, plant and equipment	456,809,875	440,970,408
Intangible assets	11,500,296	11,018,690
Investment property	92,911,580	104,071,445
Investments in subsidiaries	29,668,343	23,700,738
Other non-current assets	346,062	896,229
Total non-current assets	602,510,299	600,520,464
Total assets	₩ 1,077,970,431	925,749,868

(In thousands of won)

2014

2013

		2014	2013
Liabilities			
Trade payables	₩	28,007,081	29,731,863
Other payables		52,171,439	47,423,340
Short-term borrowings		127,706,203	80,768,476
Other financial liabilities		186,339	865,027
Provisions		4,951,707	4,662,986
Other current liabilities		3,282,623	2,629,985
Income tax payable		5,850,959	3,774,466
Current liabilities		222,156,351	169,856,143
Other payables		11,341,256	7,430,175
Long-term borrowings		321,019,244	270,052,652
Other financial liabilities		340,493	872,601
Employee benefits		13,271,656	8,440,090
Other non-current liabilities		2,216,711	3,867,661
Deferred tax liabilities		20,794,065	25,829,025
Non-current liabilities		368,983,425	316,492,204
Total liabilities		591,139,776	486,348,347
Equity			
Share capital		38,509,680	36,754,580
Share premium		225,306,255	276,482,886
Capital adjustment		(606,444)	(606,444)
Other equity components		183,879,261	186,067,257
Retained earnings (deficit)		39,741,903	(59,296,758)
Total equity		486,830,655	439,401,521
Total liabilities and equity	₩	1,077,970,431	925,749,868

Separate Statements of Comprehensive Income

As of December 31, 2014 and 2013

(In thousands of won, except per share information)

		2014	2013
Revenue	₩	568,093,687	495,823,073
Cost of sales		(263,991,486)	(233,809,322)
Gross profit		304,102,201	262,013,751
Selling and administrative expense		(193,230,395)	(170,076,952)
Research and development expenses		(62,676,298)	(52,514,248)
Results from operating activities		48,195,508	39,422,551
Other income		5,178,359	5,085,188
Other costs		(4,176,292)	(22,268,952)
Finance income		14,047,424	13,668,851
Finance costs		(19,084,737)	(18,574,595)
Profit before income tax		44,160,262	17,333,043
Income tax expense		(9,868,916)	(82,626,303)
Profit (loss) for the year		34,291,346	(65,293,260)
Other comprehensive income (loss)			
Items that will never be reclassified to profit or loss			
Defined benefit plan actuarial gains (losses)		(4,915,977)	5,996,502
Items that are or may be reclassified to profit or loss			
Available-for-sale financial assets – net change in fair value		(1,762,633)	408,992
Cash flow hedges – effective portion of changes in fair value		(475,671)	(239,270)
Gain on revaluation of land		(601,382)	(3,252)
Liquidation of subsidiaries		651,690	-
Other comprehensive income for the year, net of income tax		(7,103,973)	6,162,972
Total comprehensive profit (loss) for the year	₩	27,187,373	(59,130,288)
Profit (loss) per share			
Basic earnings (losses) per share (won)	₩	4,551	(8,939)
Diluted earnings (losses) per share (won)		4,286	(8,939)

Separate Statements of Changes in Equity

For the year ended December 31, 2014

(In thousands of won)	Share capital	Share premium	Treasury shares	Other equity components	Retained earnings (deficit)	Total equity
Balance at January 1, 2014	₩ 36,754,580	276,482,886	(606,444)	186,067,257	(59,296,758)	439,401,521
Total comprehensive income for the year:						
Income (loss) for the year	-	-	-	-	34,291,346	34,291,346
Other comprehensive income (loss):						
Change in fair value of available-for-sale financial assets	-	-	-	(1,762,633)	-	(1,762,633)
Defined benefit plan actuarial gains (losses)	-	-	-	-	(4,915,977)	(4,915,977)
Effective portion of cash flow hedges	-	-	-	(475,671)	-	(475,671)
Revaluation reserve	-	-	-	(601,382)	-	(601,382)
Liquidation of subsidiaries	-	-	-	651,690	-	651,690
Total other comprehensive income (loss)	-	-	-	(2,187,996)	(4,915,977)	(7,103,973)
Total comprehensive income (loss) for the year	-	-	-	(2,187,996)	29,375,369	27,187,373
Transactions with owners of the Company, recognized directly in equity:						
Cash dividends	-	-	-	-	(1,836,708)	(1,836,708)
Transfer from share premium	-	(71,500,000)	-	-	71,500,000	-
Conversion of convertible redeemable preferred stocks	1,755,100	20,323,369	-	-	-	22,078,469
Total transactions with owners of the Company	1,755,100	(51,176,631)	-	-	69,663,292	20,241,761
Balance at December 31, 2014	₩ 38,509,680	225,306,255	(606,444)	183,879,261	39,741,903	486,830,655

For the year ended December 31, 2013

(In thousands of won)	Share capital	Share premium	Treasury shares	Other equity components	Accumulated deficit	Total equity
Balance at March 1, 2013	₩ 35,007,940	245,470,113	-	187,604,567	-	468,082,620
Total comprehensive income for the year:						
Income (loss) for the year	-	-	-	-	(65,293,260)	(65,293,260)
Other comprehensive income (loss):						
Change in fair value of available-for-sale financial assets	-	-	-	408,992	-	408,992
Defined benefit plan actuarial gains (losses)	-	-	-	-	5,996,502	5,996,502
Effective portion of cash flow hedges	-	-	-	(239,270)	-	(239,270)
Revaluation reserve	-	-	-	(3,252)	-	(3,252)
Total other comprehensive income (loss)	-	-	-	166,470	5,996,502	6,162,972
Total comprehensive income (loss) for the year	-	-	-	166,470	(59,296,758)	(59,130,288)
Transactions with owners of the Company, recognized directly in equity:						
Conversion of convertible redeemable preferred stocks	1,746,640	31,012,773	-	(1,703,780)	-	31,055,633
Acquisition of treasury shares	-	-	(606,444)	-	-	(606,444)
Total transactions with owners of the Company	1,746,640	31,012,773	(606,444)	(1,703,780)	-	30,449,189
Balance at December 31, 2013	₩ 36,754,580	276,482,886	(606,444)	186,067,257	(59,296,758)	439,401,521

Separate Statements of Cash Flows

For the year ended December 31, 2014 and 2013

(In thousands of won)

	2014	2013
Cash flows from operating activities		
Income (loss) for the year	₩ 34,291,346	(65,293,260)
Adjustments	47,037,891	114,692,012
Changes in assets and liabilities	12,329,604	15,860,221
Income taxes paid	(10,423,224)	(79,786,218)
Net cash used in operating activities	83,235,616	(14,527,245)
Cash flows from investing activities		
Interest received	1,833,224	2,339,236
Dividends received	291,399	-
Decrease in short-term receivables from employees	-	4,295
Disposal of available-for-sale financial assets	5,002,678	21,282,422
Disposal of property, plant and equipment	297,224	604,716
Disposal of intangible assets	380,000	-
Decrease in deposits	1,706,420	547,104
Increase in short-term receivables from employees	-	(440,000)
Acquisition of available-for-sale financial assets	(1,001,979)	(10,508,750)
Acquisition of held-to-maturity financial assets	(4,180)	(1,010,730)
Acquisition of derivative instruments	-	(4,220,050)
Acquisition of investments in subsidiaries	(895,255)	(23,700,738)
Acquisition of property, plant and equipment	(28,872,490)	(32,020,252)
Acquisition of intangible assets	(1,542,147)	(1,987,596)
Increase in long-term financial instruments	-	(7,500)
Increase in deposits	(213,000)	(97,000)
Net cash used in investing activities	₩ (23,018,106)	(49,214,843)

(In thousands of won)	2014	2013
Cash flows from financing activities		
Proceeds from short-term borrowings	₩ 18,527,487	16,668,875
Rental deposits received	5,361,184	217,000
Proceeds from long-term borrowings	40,000,000	20,000,000
Proceeds from bonds	70,000,000	31,225,835
Interest paid	(11,340,316)	(8,876,506)
Dividends paid	(1,836,708)	-
Repayment of short-term borrowings	(16,668,875)	(40,787,402)
Repayment of current portion of bonds	-	(10,000,000)
Repayment of current portion of long-term borrowings	(2,000,000)	(21,500,000)
Decrease of rental deposits increase	(1,059,239)	(215,696)
Acquisition of treasury stocks	-	(606,444)
Net cash used in financing activities	100,983,533	(13,874,338)
Net increase (decrease) in cash and cash equivalents	161,201,044	(77,616,426)
Cash and cash equivalents at January 1, 2014 and March 1, 2013	115,746,113	195,278,864
Effect of exchange rate fluctuations on cash held	4,631,453	(1,916,325)
Cash and cash equivalents at end of year	₩ 281,578,610	115,746,113

Independent Auditors' Report

Based on a report originally issued in Korean

The Board of Directors and Shareholders
Dong-A ST Co., Ltd.:

We have audited the accompanying consolidated financial statement of Dong-A ST Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and 2013 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Other Matter

The accompanying consolidated statement of financial position of the Group as of December 31, 2013, and the related consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, were audited by us in accordance with the previous auditing standards generally accepted in the Republic of Korea. We did not audit the financial statements of M.I.Tech CO., LTD., a subsidiary, whose financial statements represent 1.34% of consolidated total assets as of December 31, 2013 and 1.03% of consolidated total sales for the year then ended. Other auditors audited those financial statements and our report, insofar as it relates to the subsidiary, was based solely on the report of other auditors.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 9, 2015

This report is effective as of March 9, 2015, 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 consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Consolidated Statements of Financial Position

As of December 31, 2014 and 2013

(In thousands of won)

	2014	2013
Assets		
Cash and cash equivalents	₩ 293,438,922	132,263,800
Short-term financial instruments	8,096,500	3,500,000
Trade receivables	87,616,974	97,118,575
Other receivables	5,239,029	5,139,383
Other financial assets	16,160,511	13,228,800
Inventories	86,662,577	93,109,132
Other current assets	2,479,239	4,290,543
Income tax receivable	16,970	-
Current assets	499,710,722	348,650,233
Long-term financial instruments	7,500	7,500
Other receivables	1,335,029	2,782,923
Other financial assets	10,220,863	17,378,219
Property, plant and equipment	461,090,521	445,018,050
Intangible assets	14,470,447	12,967,996
Investment property	92,911,580	104,071,445
Other non-current assets	346,061	841,908
Deferred tax assets	1,765,520	-
Non-current assets	582,147,521	583,068,041
Total assets	₩ 1,081,858,243	931,718,274

(In thousands of won)

	2014	2013
Liabilities		
Trade payables	₩ 28,525,448	29,857,322
Other payables	53,254,978	48,892,485
Short-term borrowings	127,706,203	80,768,476
Other financial liabilities	186,339	865,027
Provisions	4,951,707	4,662,986
Other current liabilities	3,497,362	2,812,209
Income tax payable	5,861,282	3,770,738
Current liabilities	223,983,319	171,629,243
Other payables	11,346,395	7,461,391
Long-term borrowings	321,019,244	274,352,652
Other financial liabilities	340,493	744,531
Employee benefits	13,821,203	8,473,269
Other non-current liabilities	2,216,711	3,867,661
Deferred tax liabilities	20,794,065	25,829,025
Non-current liabilities	369,538,111	320,728,529
Total liabilities	593,521,430	492,357,772
Equity		
Share capital	38,509,680	36,754,580
Share premium	225,306,255	276,482,886
Capital adjustment	(606,444)	(606,444)
Other equity components	182,917,559	185,914,396
Retained earnings (deficit)	41,946,312	(59,718,560)
Equity attributable to owners of the Company	488,073,362	438,826,858
Non-controlling interests	263,451	533,644
Total equity	488,336,813	439,360,502
Total liabilities and equity	₩ 1,081,858,243	931,718,274

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2014 and 2013

(In thousands of won, except per share information))

	2014	2013
Revenue	₩ 578,640,115	500,967,483
Cost of sales	(268,511,844)	(236,049,807)
Gross profit	310,128,271	264,917,676
Selling and administrative expense	197,156,659	171,989,526
Research and development expenses	63,602,209	53,140,577
Results from operating activities	49,369,403	39,787,573
Other income	6,000,853	5,138,480
Other costs	(4,273,832)	(22,387,844)
Finance income	14,273,096	13,715,175
Finance costs	(19,638,769)	(19,335,625)
Profit before income tax	45,730,751	16,917,759
Income tax expense	(8,180,931)	(82,626,303)
Profit (loss) for the year	37,549,820	(65,708,544)
Other comprehensive income (loss)		
Items that will never be reclassified to profit or loss		
Defined benefit plan actuarial gains (losses)	(5,427,814)	5,996,502
Items that are or may be reclassified to profit or loss		
Available-for-sale financial assets – net change in fair value	(1,762,633)	408,992
Cash flow hedges – effective portion of changes in fair value	(475,671)	(239,270)
Foreign operations – foreign currency translation differences	(29,635)	(156,794)
Revaluation of property, plant and equipment	(601,382)	(3,252)
Other comprehensive income for the year, net of income tax	(8,297,135)	6,006,178
Total comprehensive profit (loss) for the year	29,252,685	(59,702,366)
Profit (loss) attributable to:		
Owners of the Company	37,412,355	(65,715,062)
Non-controlling interests	137,465	6,518
Profit (loss) for the year	37,549,820	(65,708,544)
Total comprehensive income (loss) attributable to:		
Owners of the Company	29,132,724	(59,704,951)
Non-controlling interests	119,961	2,585
Total comprehensive income (loss) for the year	₩ 29,252,685	(59,702,366)
Profit (loss) per share		
Basic earnings (losses) per share (won)	₩ 4,966	(8,997)
Diluted earnings (losses) per share (won)	4,673	(8,997)

Consolidated Statements of Changes in Equity

For the year ended December 31, 2014

(In thousands of won)	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other equity components	Retained earnings		
Balance at January 1, 2014	₩ 36,754,580	276,482,886	(606,444)	185,914,396	(59,718,560)	533,644	439,360,502
Total comprehensive income for the year:							
Income for the year	-	-	-	-	37,412,355	137,465	37,549,820
Change in fair value of available-for-sale financial assets	-	-	-	(1,762,633)	-	-	(1,762,633)
Defined benefit plan actuarial gains (losses)	-	-	-	-	(5,410,775)	(17,039)	(5,427,814)
Effective portion of cash flow hedges	-	-	-	(475,671)	-	-	(475,671)
Revaluation reserve	-	-	-	(601,382)	-	-	(601,382)
Changes in fair value of exchange differences on translating from foreign operations	-	-	-	(29,170)	-	(465)	(29,635)
Total other comprehensive income (loss)				(2,868,856)	(5,410,775)	(17,504)	(8,297,135)
Total comprehensive income (loss) for the year				(2,868,856)	32,001,580	119,961	29,252,685
Transactions with owners of the Company, recognized directly in equity:							
Cash dividends	-	-	-	-	(1,836,708)	-	(1,836,708)
Liquidation dividends	-	-	-	-	-	(377,715)	(377,715)
Transfer from share premium	-	(71,500,000)	-	-	71,500,000	-	-
Conversion of convertible redeemable preferred stocks	1,755,100	20,323,369	-	-	-	-	22,078,469
Capital increase	-	-	-	(7,719)	-	7,719	-
Changes in scope of consolidation	-	-	-	(120,262)	-	(20,158)	(140,420)
Total transactions with owners of the Company	1,755,100	(51,176,631)	-	(127,981)	69,663,292	(390,154)	19,723,626
Balance at December 31, 2014	₩ 38,509,680	225,306,255	(606,444)	182,917,559	41,946,312	263,451	488,336,813

For the year ended December 31, 2013

(In thousands of won)	Attributable to owners of the Company					Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Other equity components	Retained earnings		
Balance at March 1, 2013	₩ 35,007,940	245,470,114	-	187,604,568	-	-	468,082,622
Total comprehensive income for the year:							
Income (loss) for the year	-	-	-	-	(65,715,062)	6,518	(65,708,544)
Other comprehensive income (loss):							
Change in fair value of available-for-sale financial assets	-	-	-	408,992	-	-	408,992
Defined benefit plan actuarial gains (losses)	-	-	-	-	5,996,502	-	5,996,502
Effective portion of cash flow hedges	-	-	-	(239,270)	-	-	(239,270)
Revaluation reserve	-	-	-	(3,252)	-	-	(3,252)
Changes in fair value of exchange differences on translating from foreign operations	-	-	-	(152,861)	-	(3,933)	(156,794)
Total other comprehensive income (loss)	-	-	-	13,609	5,996,502	(3,933)	6,006,178
Total comprehensive income (loss) for the year	-	-	-	13,609	(59,718,560)	2,585	(59,702,366)
Transactions with owners of the Company, recognized directly in equity:							
Conversion of convertible redeemable preferred stocks	1,746,640	31,012,772	-	(1,703,781)	-	-	31,055,631
Acquisition of treasury shares	-	-	(606,444)	-	-	-	(606,444)
Changes in scope of consolidation	-	-	-	-	-	531,059	531,059
Total transactions with owners of the Company	1,746,640	31,012,772	(606,444)	(1,703,781)	-	531,059	30,980,246
Balance at December 31, 2013	₩ 36,754,580	276,482,886	(606,444)	185,914,396	(59,718,560)	533,644	439,360,502

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(In thousands of won)	2014	2013
Cash flows from operating activities		
Income (loss) for the year	₩ 37,549,820	(65,708,544)
Adjustments	46,099,067	115,656,749
Changes in assets and liabilities	11,525,903	15,619,137
Income taxes paid	(10,428,981)	(79,786,262)
Income tax refund	19	-
Net cash used in operating activities	84,745,828	(14,218,920)
Cash flows from investing activities		
Interest received	1,938,020	2,432,583
Dividends received	291,399	-
Decrease in short-term financial instruments	15,800,000	10,082,031
Decrease in short-term receivables from employees	-	4,295
Disposal of available-for-sale financial assets	5,002,678	21,352,516
Disposal of property, plant and equipment	341,427	657,716
Disposal of intangible assets	380,000	-
Decrease in deposits	1,953,552	547,104
Increase in short-term financial instruments	(20,396,500)	(10,500,000)
Increase in short-term receivables from employees	-	(440,000)
Increase in long-term financial instruments	-	(7,500)
Acquisition of available-for-sale financial assets	(1,001,979)	(11,063,839)
Acquisition of held-to-maturity financial assets	(4,180)	(1,010,730)
Acquisition of property, plant and equipment	(29,556,580)	(32,167,330)
Acquisition of intangible assets	(2,675,347)	(3,815,884)
Acquisition of derivative instruments	-	(4,220,050)
Increase in deposits	(369,943)	(125,904)
Net cash used in investing activities	₩ (28,297,453)	(28,274,992)

(In thousands of won)	2014	2013
Cash flows from financing activities		
Proceeds from short-term borrowings	₩ 18,527,487	16,668,875
Proceeds from long-term borrowings	40,000,000	24,300,000
Proceeds from bonds	70,000,000	31,225,835
Rental deposits received	5,361,184	217,000
Interest paid	(11,471,733)	(9,003,531)
Dividends paid	(2,214,423)	-
Repayment of short-term borrowings	(16,668,875)	(40,787,402)
Repayment of current portion of long-term borrowings	(2,000,000)	(21,500,000)
Repayment of current portion of bonds	-	(10,000,000)
Decrease of rental deposits increase	(1,059,239)	(215,696)
Acquisition of treasury stocks	-	(606,444)
Net cash used in financing activities	100,474,401	(9,701,363)
Net increase (decrease) in cash and cash equivalents	156,922,776	(52,195,275)
Cash and cash equivalents at beginning	132,263,800	195,278,864
Effect of exchange rate fluctuations on cash held	4,344,257	(2,070,334)
Changes in ownership interests in subsidiaries that do not result in loss of control	(91,911)	(8,749,455)
Cash and cash equivalents at end of year	₩ 293,438,922	132,263,800

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DATE OF ESTABLISHMENT

Dong-A Socio Holdings

December 1932

Dong-A ST

March 2013

Dong-A Pharmaceutical

March 2013

SECURITIES LISTING

Dong-A Socio Holdings

Korea Stock Exchange A000640

Dong-A ST

Korea Stock Exchange A170900

ANNUAL GENERAL MEETING

March 20, 2015

INFORMATION AVAILABILITY

Dong-A Socio Holdings

Korean: <http://www.donga.co.kr>

English: <http://en.donga.co.kr>

Dong-A ST

Korean: <http://www.donga-st.com>

English: <http://en.donga-st.com>

Dong-A Pharmaceutical

Korean: <http://www.dapharm.com>

English: <http://en.dapharm.com>

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this printed report has been printed on eco-friendly paper.

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DONG-A SOCIO GROUP