

Annual Report 2016

On the Wings of
NEW ERA



DONG-A SOCIO GROUP

Dong-A Socio Group

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Four years ago, we were well positioned as the number one pharmaceutical company in Korea. Dong-A Socio Group, however, wanted to keep moving forward, and we therefore set ourselves an ambitious target – to become a global healthcare player. We didn't just wait for opportunities, we actively sought to create our own challenges. We stayed focused and disciplined during the transition phase, and in 2016, we completed the change to a holding company structure.

This has brought tremendous new capabilities and possibilities to Dong-A Socio Group, enabling us to better focus on growth opportunities and positioning for long-term sustainable growth.

Key Milestones

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

Foundation
1932

Celebrating its 80th anniversary, Dong-A set a new plan for the future and began its initiative to transform into a holding company structure

Next Chapter
2012

Followed by receiving holding company approval from the Fair Trade Commission in 2014, Dong-A Socio Group completed its shift into a holding company structure in 2016

New Era
2016

Key Figures

Dong-A Socio Holdings

(Unit: KRW billion)

	Separate Figure	Consolidated Figure
Statements of Financial Position		
Total assets	836.0	1,402.2
Total liabilities	225.4	526.4
Total shareholders' equity	610.6	875.9
Statements of Income		
Operating revenue	55.3	726.2
Operating expenses	58.9	650.2
Operating profit	-3.6	76.0
Income before income tax	-7.0	197.8
Net profit	4.7	175.7

Dong-A ST

(Unit: KRW billion)

	Separate Figure	Consolidated Figure
Statements of Financial Position		
Total assets	1,066.5	1,066.6
Total liabilities	477.4	477.4
Total shareholders' equity	589.1	589.2
Statements of Income		
Sales	560.3	560.5
Cost of goods sold	283.8	283.8
SG&A expenses	191.8	192.4
R&D expense	69.5	69.5
Operating profit	15.2	14.8
Income before income tax	15.3	0.6
Net profit	12.9	10.6

Four years ago, we were well positioned as the number one pharmaceutical company in Korea. Dong-A Socio Group, however, wanted to keep moving forward, and we therefore set ourselves an ambitious target – to become a global healthcare player. We didn't just wait for opportunities, we actively sought to create our own challenges. We stayed focused and disciplined during the transition phase, and in 2016, we completed the change to a holding company structure.

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Letter to Shareholders

2016 was a year of transformation and accomplishment for **Dong-A Socio Group** as we set a course to become a **Global Healthcare Player**.

I would like to express my deepest thanks to all our stakeholders for the unwavering support and encouragement you've given to Dong-A Socio Group at our time of change and innovation. 2016 was very meaningful year for us, as we achieved the outcome of our continuous efforts on challenges for the future and investment in growth drivers.

We particularly focused on delivering excellent, reliable products at a time when there was unprecedented demand for trustworthiness in business and society. We sought to develop innovative new drugs, which led to the licensing-out agreement in December 2016, with the US-based AbbVie Biotechnology for 'DA-4501', immuno-oncology target therapy. This was a new chapter for the Korean pharmaceutical industry, as we became the first Korean company to sign a large-scale licensing-out agreement at the drug discovery stage. Dong-A ST also licensed out Suganon®, our in-house developed new drug for diabetes, to Tobira Therapeutics of the U.S. in April 2016. A clinical trial in the U.S. to develop a treatment for non-alcoholic steatohepatitis (NASH) is also progressing well, raising expectations that we are on the verge of developing another in-house developed global new drug, following the success of Sivextro®.

The growth of Bacchus®, which has been a customer favorite for the last 53 years, continued in 2016. After it became the first single product sold by a pharmaceutical company in Korea to achieve annual sales of more than KRW 200 billion in 2015, it has maintained growth pace in 2016, once again proving its value as a long-established brand. Major entities of the Group continued to make remarkable advances in the global market. Of particular note, overseas sales of Dong-A ST and sales from ST Pharm, which specializes in active pharmaceutical ingredients (APIs) and its exports account for more than 80% of total sales, recorded double-digit growth over the previous year.

We also made intensive efforts to fulfill our responsibilities as a corporate citizen by creating not only economic values but also social values. We undertook diverse contribution activities in Korea and abroad, sharing our success with local communities around the world. We also strengthened our ethics and compliance programs, so that our growth has sound foundations. In addition, we aimed to increase shareholder value and enhance transparency in our management through continued, effective communications with shareholders and investors.

2016 also marked the completion of Dong-A Socio Group's transition into a holding company structure. In 2013, we took the bold decision to step down from the No. 1 position in the Korean pharmaceutical industry that we had maintained for nearly 50 years, in order to develop into a global company. In the years since then, we have been constantly optimizing our structure to be able to respond even more flexibly to changes and strengthen our long-term competitiveness. As a result, in October 2016, we put into place the last piece of our shift into a holding company structure, under which Dong-A Socio Holdings governs 22 entities.

The completion of the holding company structure, however, is not our end game – instead, it signals a new era of Dong-A Socio Group. We, therefore, have established 'Vision 2025', so that we can grow into a "global healthcare player by establishing distinctive competencies in each business area". To this end, we will pursue the following three key strategic tasks in 2017.

First, we will develop fundamental competitiveness, to respond to any business environment.

All entities of Dong-A Socio Group will concentrate on their own distinctive competitiveness, and will use that to lead their respective markets. Furthermore, the holding company structure will generate synergies that will significantly improve all entities of the Group.

Second, we will make continuous personnel and material investments for the future.

Dong-A Socio Group has focused on R&D, driven by the belief that developing new drugs is our way of sharing success with society. We will further accelerate the development of innovative new drugs, based on which we contribute to the health of mankind while reinforcing growth momentum for ourselves.


Third, we will always be fair and transparent in our business areas.

We will strive to increase shareholder values based on the future-oriented and healthy corporate culture, and will faithfully fulfill our social responsibilities as a corporate citizen. We will also form a consensus on ethical management, overhaul relevant systems, and build a strong culture of compliance, all in an effort to become a trusted and respected company.

Dong-A Socio Group is now at a new starting point. We will pursue change and innovation from a new perspective, and thus achieve continued growth throughout this time of change. With your continued interest and support, I am convinced that we can continue to pursue health and happiness for mankind, and realize our ultimate vision to be a global healthcare player.

Thank you.

Jung-Seok Kang
Chairman, Dong-A Socio Group

A vibrant blue sky filled with fluffy white clouds. A faint rainbow is visible in the background, adding a touch of color to the scene. The overall atmosphere is bright and optimistic.

Today, change is everywhere, and so, for companies that can see the potential in challenges, it is a time for the next step forward. From its very beginning, Dong-A Socio Group has always been a company to grasp change as an opportunity, and has continued to change and innovate. In 2016, we put into place the last piece of our shift to a holding company structure, enabling us to look to a future of stronger and more sustainable growth.



Marking a **NEW ERA**

Holding Company Structure

New start under a holding company structure

1

Celebrating the 80th anniversary of the Group's founding in 2012, Dong-A Socio Group publicly announced its plan to shift into a holding company structure, to establish the foundations for sustainable growth and development into a global company. The change was launched with the demerger of the former Dong-A Pharmaceutical in March 2013, when the former Dong-A Pharmaceutical demerged into Dong-A Socio Holdings, the holding company, Dong-A ST, a company specializing in ethical (ETC) drugs, and Dong-A Pharmaceutical, a company specializing in over-the-counter (OTC) drugs. The existing Dong-A Socio Holdings entity completed a change of listing on the Korea Exchange (KRX) 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 received approval from the Fair Trade Commission in December 2014. In June 2016, ST Pharm, an entity of Dong-A Socio Group which specializes in active pharmaceutical ingredients (APIs), was listed on KOSDAQ,

Dong-A Socio Holdings then satisfied all the holding company requirements stipulated in the Fair Trade Act, and completed the change to a holding company structure.

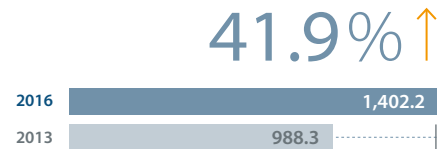
This shift signifies more than just a simple change in our organizational structure. It was a major decision to choose to step down from the position as the No. 1 pharmaceutical company in Korea that we had held for almost half a century, since 1967, but it was essential in order to pursue change and innovation. As the holding company, Dong-A Socio Holdings now presents the overall Group vision and determines strategy and investment direction at the Group level. The holding company structure has increased expertise, flexibility, and efficiency in the operation of each entity within the Group, which in turn has made it easier to make investments into core businesses, such as new drug development. Management transparency and responsibility have improved as well. Dong-A Socio Group will now more actively pursue innovative new drug development and entry into global markets, supported by the holding company structure and the resultant improved corporate governance and professional capabilities.

“ The shift into a holding company structure was not easy, but the challenge was worth the effort, as it will lead to the development of new drugs that will contribute to the health and happiness of humankind.

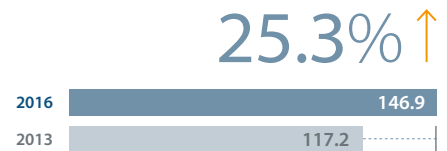
Everyone at Dong-A Socio Group will continue to work in unison to bring about a better world and a brighter future. ”

FACTS & FIGURES

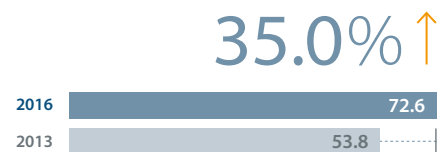
Total assets of Dong-A Socio Holdings¹⁾
(Unit: KRW billion)



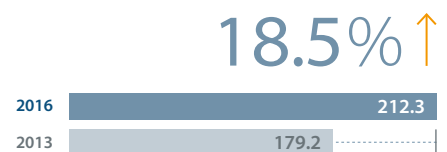
Sales of Dong-A ST Overseas Unit
(Unit: KRW billion)



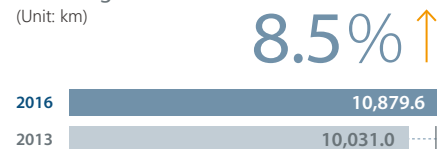
R&D investment of Dong-A ST²⁾
(Unit: KRW billion)



Bacchus[®] sales in Korea
(Unit: KRW billion)



Cumulative distance of Dong-A Pharmaceutical's Tour Korea for College Students
(Unit: km)



* As of December 31, 2016

¹⁾ Consolidated figures basis

²⁾ R&D expenses and the R&D expenses from production costs; 2013 figure based on ten month results from March through December, 2013

Momentum for a NEW ERA

MILESTONES

01

NEW BEGINNING

2013

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)

02

NEW PROGRESS

2014

Received holding company approval from the Fair Trade Commission

2015

Demerged the Biosimilar Business Department and established DM Bio

2016

Announced the initial public offering of ST Pharm

03

NEW ERA

2016

Incorporated ST Pharm as a subsidiary of Dong-A Socio Holdings and relieved restriction on holding company activities

2017

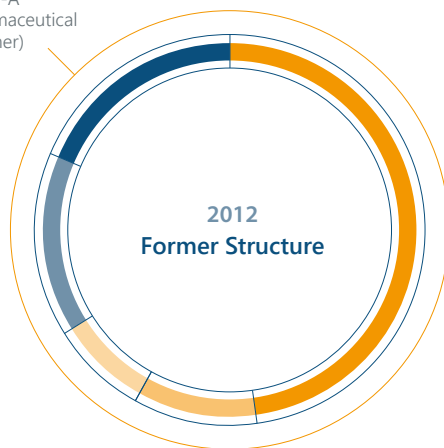
Revealed Dong-A Socio Group's new vision system 'Vision 2025'

SALES STRUCTURE

● ETC ● Overseas ● Medical Equipments & Diagnostics ● OTC ● Bacchus®

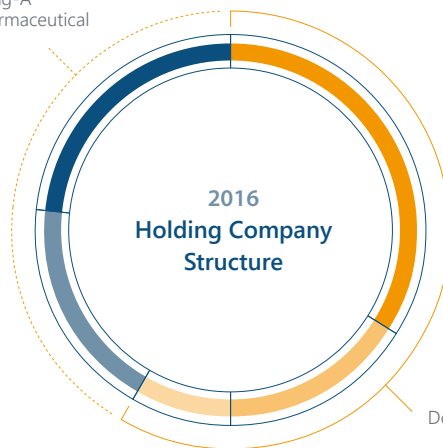
(Unit: KRW billion)

Dong-A
Pharmaceutical
(Former)



ETC	439.7
Overseas	94.8
Medical Equipments & Diagnostics	73.7
OTC	140.0
Bacchus® (Domestic only)	170.9

Dong-A
Pharmaceutical



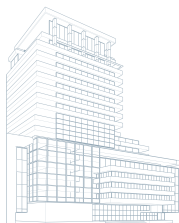
ETC	311.9
Overseas	146.9
Medical Equipments & Diagnostics	74.9
OTC	167.3
Bacchus® (Domestic only)	212.3

Vision to grow into a global healthcare player

2

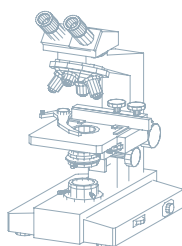
As of the end of 2016, there are 22 entities of Dong-A Socio Group under the holding company structure, where Dong-A Socio Holdings, the holding company, governs the Group entities. Dong-A Socio Group is building an extensive business portfolio that covers a broad part of the healthcare sector, focused on the pharmaceutical business, including Dong-A ST, Dong-A Pharmaceutical, ST Pharm, and DM Bio, a company specializing in the development of antibody medicines and contract manufacturing organization (CMO). Dong-A Socio Group is thus expanding the concept of healthcare away from limited range of pharmaceutical products and medical equipment for the treatment of patients to include areas that cover indirect involvement in patient treatment and the promotion of non-patient health. The Group has adopted a selection and concentration approach in its core areas, and is aiming to build unrivaled expertise in its chosen businesses.

Dong-A Socio Holdings



Dong-A Socio Holdings defines the overall vision and formulates strategic goals of Dong-A Socio Group, and draws up the Group's human resource and investment plans to achieve the goals. The company also makes long-term investments toward new business and new innovative medicines, including bio-pharmaceuticals, while expanding its business areas by going beyond the previously pharmaceuticals-centered business structure to include medical services and other new business areas.

Dong-A ST



Dong-A ST is a specialist for ETC drugs, overseas business, and medical equipment & diagnostics, and manages business collaboration and the registration of pharmaceuticals in countries which it currently exports to, while pursuing the expansion of global presence in the short- and mid-term. The company makes intensive efforts to develop global new drugs based on its cutting-edge research centers and highly-skilled research experts, in an effort to grow into a global pharmaceutical company.

Dong-A Pharmaceutical



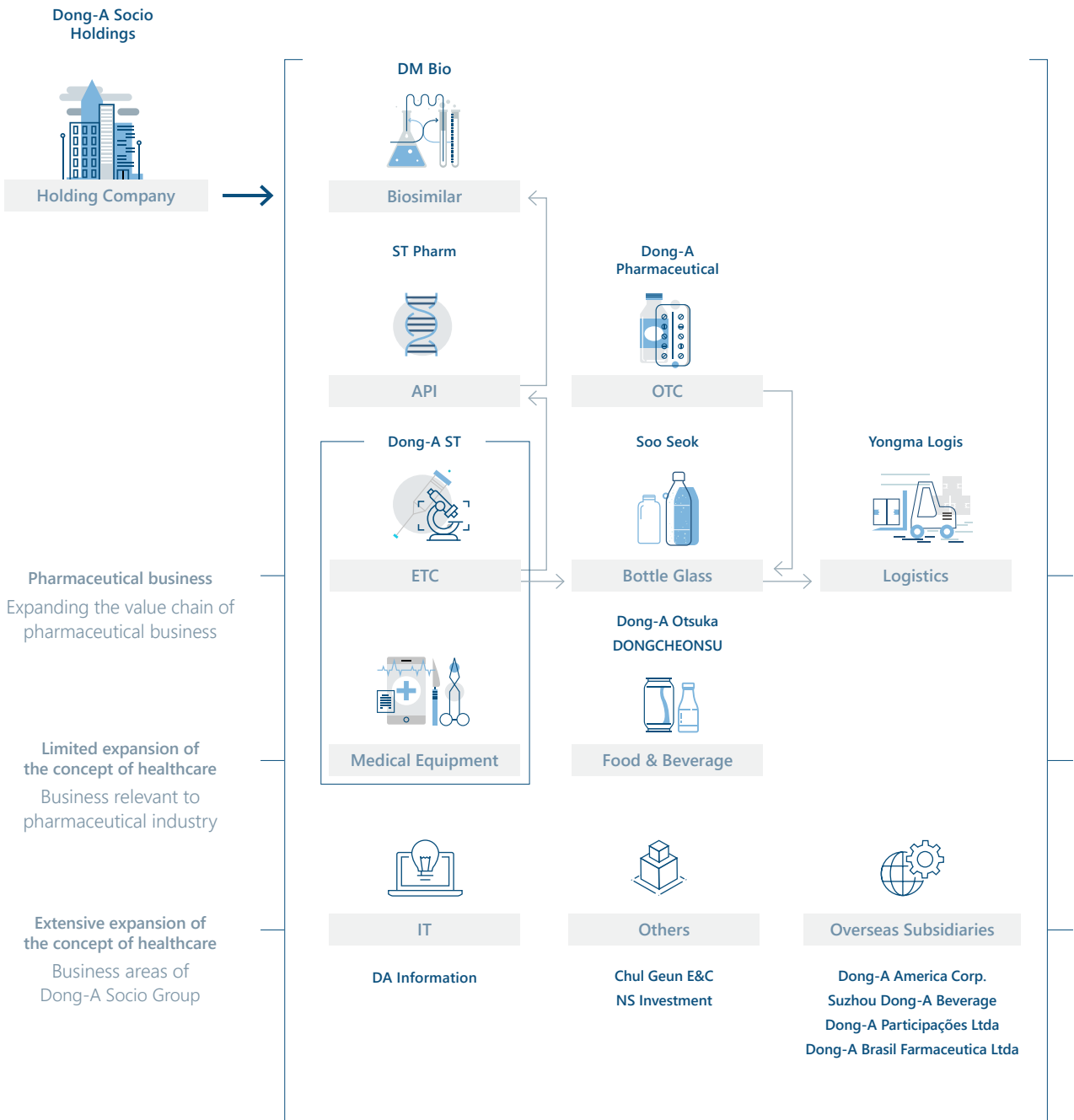
Dong-A Pharmaceutical's main businesses include OTC drugs, health functional foods, and quasi-drugs such as Bacchus®. The company aims to be a Korea's top healthcare company by adhering closely to its founding spirit of contributing to the health of the nation by creating medicines that will help people live better lives.

ST Pharm



ST Pharm has been offering excellent custom manufacturing services of APIs and their intermediates to meet clients' high expectation for their use in pharmaceutical development and be compliant to cGMP requirements. With an aim to be a thriving global chemical company with high quality products and service, the company continues to expand its global outreach and enhance its competitiveness through innovative virtual R&D.

GROUP ORGANIZATION & BUSINESS AREA



Vision 2025

Vision, Mission and Foundation

1

Rapid changes are forecast for the healthcare market, which points to the need to take preemptive action in order to achieve stable, continued growth. Dong-A Socio Group completed the change to a holding company structure in 2016, and in early 2017, we announced 'Vision 2025', to set out the values to be shared by all members of the Group in the new holding company structure, and to establish the right path towards sustainable growth.

Vision 2025 consists of mission, vision, and a set of core values. By clearly defining integrated corporate-wide goals, it enables us to set both individual business goals and an overall strategic direction. One important characteristic of Vision 2025 is that it is based on our founding spirit of integrity, sincerity and thoughtfulness, and on our motto of creativity, teamwork and contribution. This signifies that we have looked back at our past to see where we are today, so that we can set out the plans and strategies that will lead us to realize our vision "to be a global healthcare player by establishing distinctive competencies in each business area".

Dong-A Socio Group had achieved many of the "best" records including the number one position in the Korea's pharmaceutical industry. In 2013, however, we left our comfort zone and chose to transform ourselves into a holding company structure, instead of allowing ourselves to be complacent. We have successfully completed the change, marking another milestone, and we are now well positioned to become a global company. With the new holding company structure, and guided by the new vision system, all members of Dong-A Socio Group will work together to usher in a new era of global growth, and ultimately to be recognized as the "best" pharmaceutical company in the global market.

Continuous challenge to pursue health and happiness for humanity

We will help more people enjoy a healthier and happier life, and prosper alongside them, by focusing our R&D on better products and services, while fulfilling our social responsibilities.

OUR MISSION

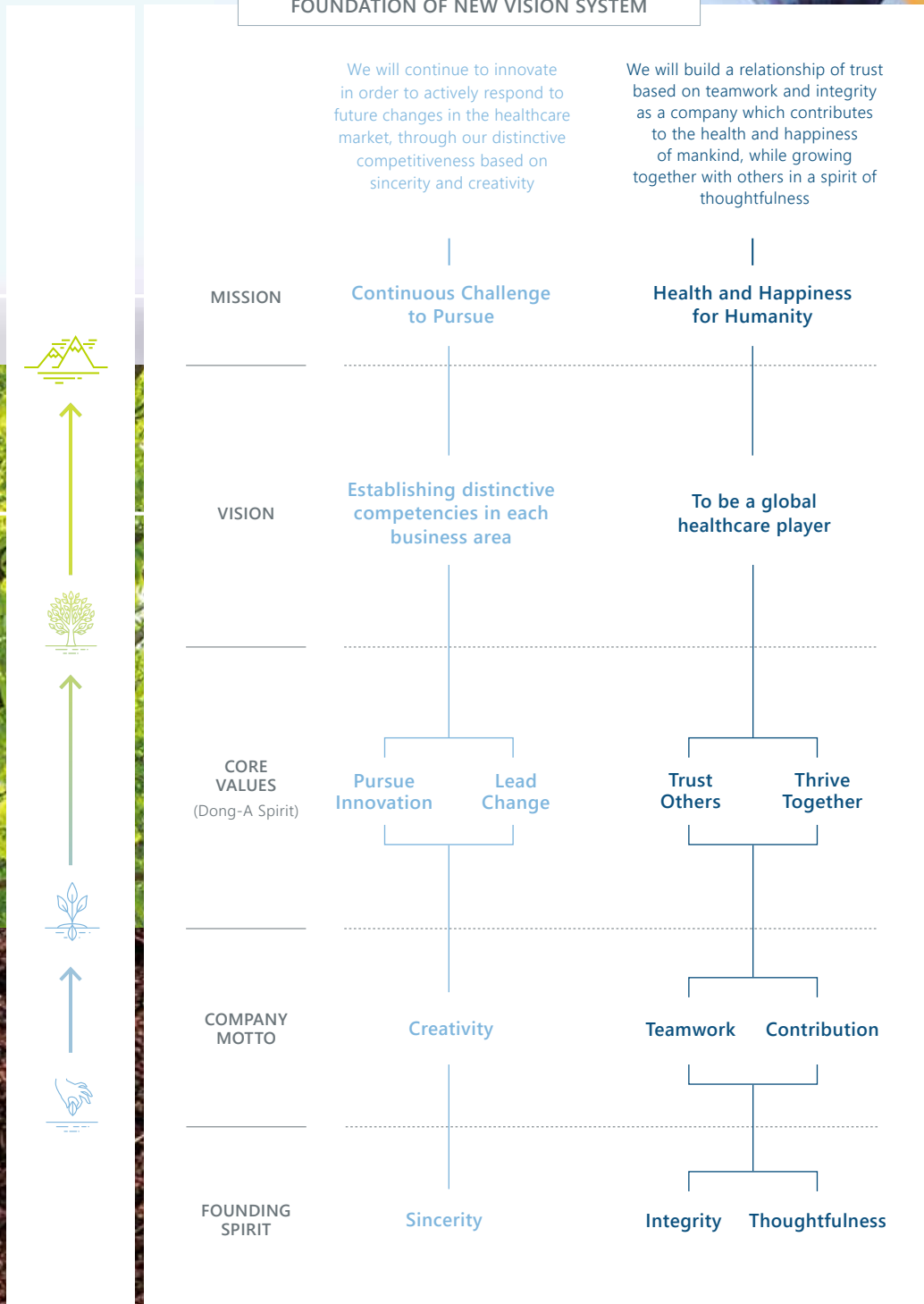
OUR VISION

To be a global healthcare player by establishing distinctive competencies in each business area

We will become a global healthcare group by developing the core competitiveness of each business area through the integration of business portfolio at the Group level.

Soaring into a NEW ERA

FOUNDATION OF NEW VISION SYSTEM



Strategy, Core Values and Directions

2

OUR STRATEGY

Dong-A Socio Group will strengthen our business capabilities, and expand business areas and global outreach, with a goal to realize our vision. We will secure differentiated competitiveness across all of our established businesses, where we have focused on pharmaceutical business. Furthermore, we will expand business areas in order to satisfy increasingly complex and diverse market and customer requirements. We are accelerating efforts to expand overseas business, in particular, thus overcome the saturated domestic market and develop new growth drivers.

OUR VALUES (DONG-A SPIRIT)

PURSUE INNOVATION

We will lead the dynamics of the market by creating distinctive value through a broader perspective and a unique mindset. We will not be afraid of challenge or failure while pursuing innovation, and will encourage colleagues to accept challenges.

LEAD CHANGE

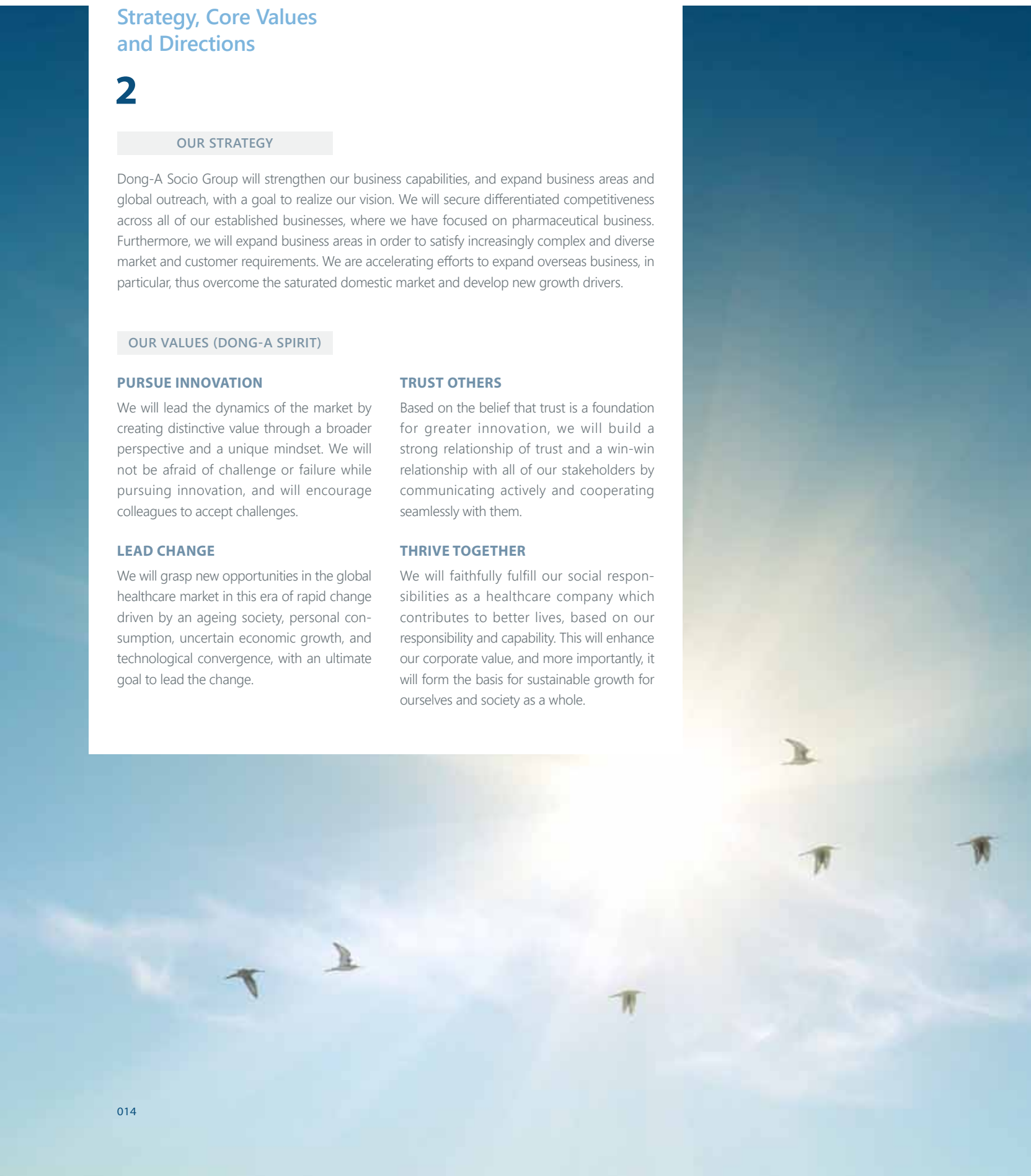
We will grasp new opportunities in the global healthcare market in this era of rapid change driven by an ageing society, personal consumption, uncertain economic growth, and technological convergence, with an ultimate goal to lead the change.

TRUST OTHERS

Based on the belief that trust is a foundation for greater innovation, we will build a strong relationship of trust and a win-win relationship with all of our stakeholders by communicating actively and cooperating seamlessly with them.

THRIVE TOGETHER

We will faithfully fulfill our social responsibilities as a healthcare company which contributes to better lives, based on our responsibility and capability. This will enhance our corporate value, and more importantly, it will form the basis for sustainable growth for ourselves and society as a whole.



MISSION

Continuous Challenge to Pursue Health and Happiness for Humanity

VISION

To Be a Global Healthcare Player by
Establishing Distinctive Competencies in Each Business Area

CORE
VALUES
(Dong-A Spirit)

**PURSUE
INNOVATION**

Start from small innovations in a new perspective

**LEAD
CHANGE**

Drive change by reading the trend

**TRUST
OTHERS**

Build trust to generate greater synergy

**THRIVE
TOGETHER**

Grow with employees, customers and society

DIRECTIONS

Constant innovation

New perspectives

A spirit of challenge

Sincerity and tenacity

Act promptly

Never stop changing

Open-minded

Lead by example

Create synergy

Win-win

Proactive communication

Act with consistency

Social responsibilities

Sharing and contributions

Self-development

Sense of responsibility

D Style

Interview with Chairman



Jung-Seok Kang

Chairman, Dong-A Socio Group

Q. What kind of organization is Dong-A Socio Group?

Dong-A Socio Group is an organization that remains strong in the face of challenge and change. That is why we do not turn down challenges, and we are not afraid of failure. Dong-A ST has the greatest number of in-house developed new drugs of any Korean company, and Dong-A Pharmaceutical's Bacchus® became the first single product in the domestic pharmaceutical industry to achieve annual sales of KRW 200 billion. These achievements reflect our strengths in both long-term success and new innovation. Bacchus® has been satisfying customers ever since the launch of Bacchus®-D in 1963, and has made a substantial contribution to our number one status in the domestic pharmaceutical industry over many years. Rather than being satisfied with this, however, we chose innovation, began a transformation into a holding company structure in 2013, and successfully completed it in 2016, thereby proving our strengths once again.

Q. What is the significance of the new holding company structure for the future of Dong-A Socio Group?

The shift to a holding company structure is not our ultimate goal. Instead, it is a foundation based on which we will grow into a global pharmaceutical company. Supported by stable corporate governance, each company of Dong-A Socio Group will develop expertise and efficiency in their respective business area, which in turn, will lead us to realize our vision. Being No.1 in the Korean pharmaceutical industry is not of great significance in the global era. In order to compete and grow in the global market, we must develop such distinctive products as new drugs, and offer unique services. Dong-A Socio Group, therefore, has built a system for developing the engines of future growth by establishing a holding company structure, and now is the time to use this as the basis for new change and innovation. Our new vision system, Vision 2025, has set out detailed goals and a clear direction for the future of Dong-A Socio Group.

Q. How will Vision 2025 contribute to the future of Dong-A Socio Group?

Sharing our vision and implementing detailed plans for its execution mark the beginnings of not just a good, but a great company. Vision 2025 signifies our determined will to lead change and achieve sustainable growth. It also has set out our mid- to long-term vision "to be a global healthcare player by establishing distinctive competencies in each business area". Furthermore, we have established strategic directions to achieve the goal, as well as core values and a code of conduct that will be observed throughout the pursuit of new vision. I believe that Vision 2025 will play a key role in providing clear directions as to how we think and act to become a global healthcare player.

CEOs of Major Entities of Dong-A Socio Group

Dong-A Socio Holdings



Jong-Hyeon Han
CEO & President

Dong-A ST



Soo-Hyoung Kang
CEO & Vice Chairman



Jang-Seong Min
CEO & President

Dong-A Pharmaceutical



Ho-Jin Choi
CEO & President

ST Pharm



Geun-Jho Lim
CEO & President

Corporate Governance

We have established systems and processes to ensure sound corporate governance, in order to operate proactively for the benefit of our shareholders, and to enhance our own corporate value.



Dong-A Socio Holdings, Dong-A ST, and Dong-A Pharmaceutical each has a separate expert Board of Directors (BOD), all with independent directors to ensure transparent governance. The BOD performs a central role in each company's optimal decision-making, setting standards for efficient work execution and clear, quick investments. As the top decision-making body, the BOD represents shareholder and stakeholder interests, and is also in charge of monitoring and controlling overall business activities. Its duties range from formulating strategies for the company's long-term growth and monitoring the implementation of those strategies to evaluating whether business performance goals have been achieved, and deciding on remuneration for top management. In addition, we have established BOD regulations which maximize its efficiency, and ensure responsible management.

As of the end of 2016, the BOD of Dong-A Socio Holdings consists of three internal directors, two outside directors, and two affiliated directors. In 2016, the Board held a total of 15 meetings to deliberate on 17 agenda items, and all outside directors participated in all meetings.

The BOD of Dong-A ST consists of three internal directors, two outside directors, and three affiliated directors. In 2016, the Board held 12 meetings to deliberate on 13 agenda items, and the rate of participation by outside directors was 92%.

The BOD of Dong-A Pharmaceutical consists of two internal directors, two outside directors, and one affiliated director. Seven meetings were held in 2016, to discuss nine agenda items, with the 100% participation rate of outside directors.

	Dong-A Socio Holdings	Dong-A ST	Dong-A Pharmaceutical
Composition	3 internal directors, 2 outside directors, and 2 affiliated directors	3 internal directors, 2 outside directors, and 3 affiliated directors	2 internal director, 2 outside directors, and 1 affiliated director
Activities	15 meetings on 17 agenda	12 meetings on 13 agenda	7 meetings on 9 agenda
Outside directors' participation rate	100%	92%	100%

* As of December 2016

Board of Directors

Dong-A Socio Holdings

INSIDE DIRECTORS

Jong-Hyeon Han

CEO & President, Dong-A Socio Holdings

2013 CEO & President, M.I.Tech

1993 B.S. in Biomedical Engineering,
Yonsei University

Sung-Keun Park

Executive Director & CFO, Dong-A Socio Holdings

2012 Executive Director of Finance Team,
Dong-A Pharmaceutical

1992 B.S. in International Trade,
Konkuk University

Min-Young Kim

Executive Director of Management & Planning
Division, Dong-A Socio Holdings

2006 Executive Director of Management
& Planning Division,
Dong-A Pharmaceutical

1999 B.A. in Business Administration,
Seoul National University

OUTSIDE DIRECTORS

Bong-Soon Cho

2007 Professor, Sogang University
Business School

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

Han-Sang Lee

2013 Professor, Korea University Business School

2006 Ph.D. in Business Administration,
Michigan State University

AFFILIATED DIRECTOR

Dae-Sik Eom

Chairman, Korea Otsuka Pharmaceutical

1996 CEO & President,
Korea Otsuka Pharmaceutical

1982 B.S. in Agriculture and Life Sciences,
Seoul National University

AUDITOR

Seok-Kyu Han

Auditor, Dong-A Socio Holdings

2004 Audit Team, Dong-A Pharmaceutical

1990 B.A. in Chemical Engineering,
Kwangwoon University

Dong-A ST

INSIDE DIRECTORS

Soo-Hyoung Kang

CEO & Vice Chairman, Dong-A ST

2013 CEO & President, DM Bio

1996 Ph.D. in Biochemistry, Korea University

Jang-Seong Min

CEO & President, Dong-A ST

2015 CEO & President, Dong-A Otsuka

1993 B.S. in Physical Science Education,
Kookmin University

Dong-Hoon Lee

Vice President, Dong-A ST

2013 CEO & Executive Vice President,
Dong-A Socio Holdings

1995 M.A. in Business Administration,
Ohio State University

Tae-Young Yoon

Head of Research Center, Dong-A ST

2013 Head of Innovative Drug Discovery Research
Laboratories, Dong-A Socio Holdings

1994 Ph.D. in Chemistry, Yale 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

Byoung-Chang Woo

2011 Trustee of Director,
Korea-Japan Law Association

1996 Ph.D. in Law, Korea University

AFFILIATED DIRECTORS

Jung-Seok Kang

Chairman, Dong-A Socio Group

2015 CEO & Vice Chairman,
Dong-A Socio Holdings

2009 M.S. in Pharmacy, Sungkyunkwan University

Dae-Sik Eom

Chairman, Korea Otsuka Pharmaceutical

1996 CEO & President,
Korea Otsuka Pharmaceutical

1982 B.S. in Agriculture and Life Sciences,
Seoul National University

AUDITOR

Kyung-Jun Park

Auditor, Dong-A ST

2011 Senior Manager, Samjong KPMG

1997 B.A. in Business Administration,
Korea University

Dong-A Pharmaceutical

INSIDE DIRECTORS

Ho-Jin Choi

CEO & President, Dong-A Pharmaceutical

2012 Executive Director Communication
Department, Dong-A Pharmaceutical

1988 B.A. in Business Administration,
Sogang University

Sung-Keun Lee

Executive Director & CFO, Dong-A Pharmaceutical

2011 Partner, Samil PricewaterhouseCoopers (PwC)

1996 B.A. in Business Administration,
Sogang University

OUTSIDE DIRECTORS

Sang-Gyung Jun

2002 Professor, Business Administration,
Hanyang University

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

You-Jae Yi

1993 Professor, Business Administration,
Seoul National University

1987 Ph.D. in Business Administration,
Stanford University

AFFILIATED DIRECTORS

Jung-Seok Kang

Chairman, Dong-A Socio Group

2015 CEO & Vice Chairman,
Dong-A Socio Holdings

2009 M.S. in Pharmacy, Sungkyunkwan University

Jong-Hyeon Han

CEO & President, Dong-A Socio Holdings

2013 CEO & President, M.I.Tech

1993 B.S. in Biomedical Engineering,
Yonsei University

AUDITOR

Sam-Beom Choi

Auditor, Dong-A Pharmaceutical

2005 Director, Accounting Firm Doore

1998 B.A. in Physics, Dongguk University

Milestones

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®

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 Korea Good Laboratory Practice (KGLP)-compliant research center in Sanggal, Gyeonggi, Korea

1991

Received the IR52 Jang Young Shil Award for AIDSIA®

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

2007

Licensed out Sivextro®, an oxazolidinone class antibiotics, to Trius Therapeutics of the US for the worldwide territory except Korea

1932-1958

1959-1974

1975-1992

1993-1999

2000-2007

1961

Began manufacturing Bacchus®

1964

Bacchus® ranked first in domestic tonic market

1967

Ranked first in sales among domestic pharmaceutical companies

1970

Initial Public Offering (IPO)

Modernization of Pharmaceutical Business

1993

Developed Growtropin®, 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

Overcoming Obstacles by Working Together

Challenging to Become a Global Company

2010

Entered into a comprehensive business agreement with GlaxoSmithKline (GSK) of the UK
 - Acquired Samchully Pharmaceutical specializing in API and changed name to ST Pharm

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

Dong-A Socio Holdings

Completed the construction of the DM Bio Plant
 - 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 Ministry of Food and Drug Safety (MFDS) approval for Dulastin®, DA-3031 (PEG-G-CSF), a long-acting bio-pharmaceutical drug for neutropenia

Dong-A Socio Holdings

IPO of ST Pharm on the Korean Securities Dealers Automated Quotations (KOSDAQ)

Dong-A ST

Released Stiller® 2X, an Incrementally Modified Drug (IMD) of Stiller®
 - Released Suganon® (DA-1229/Evogliptin) and Sugamet®XR (its combination product with Metformin), Dong-A's fifth in-house developed original drug and a type 2 diabetes treatment
 - Licensed out DA-1229 (Evogliptin) to Tobira Therapeutics (currently Allergan) of the US for the development of Evogliptin mainly as a treatment of non-alcoholic steatohepatitis (NASH) for the territory of the US, Canada, Europe and Australia
 - Made a collaboration agreement with Beactica of Sweden to develop new cancer treatments
 - Licensed out DA-4501, a cancer immunotherapy pipeline, MerTK inhibitor, to AbbVie Biotechnology for the worldwide territory except Korea



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 spinoff entity), and Dong-A Pharmaceutical (an asset split-off entity)
 - Established a Korea's first dementia research center

Dong-A ST

Exports exceed KRW 100 billion

On the Wings of a New Era

Dong-A Socio Holdings

Demerged the Biosimilar Business Department and established DM Bio

Dong-A ST

Obtained European Commission (EC) approval and launched Sivextro® in European countries
 - Received Korean MFDS approval for Sivextro®
 - Licensed out DA-1229 (Evogliptin) to Eurofarma Laboratórios of Brazil for 17 countries in Latin America
 - Licensed out DA-1229 (Evogliptin) to GEROPHARM of Russia for the Russian, Ukrainian and Kazakhstan markets



Dong-A Socio Holdings

As the holding company of Dong-A Socio Group, Dong-A Socio Holdings defines the overall vision and strategic goals at the Group level. In 2016, based on the fully established holding company structure, Dong-A Socio Holdings focused on building businesses capabilities where each of its subsidiary can excel and grow, thereby helping the Group accelerate its development into a global healthcare player.



www.donga.co.kr

Ownership Structure
of Dong-A Socio Holdings

**DONG-A SOCIO
HOLDINGS ¹⁾**

**Dong-A
Pharmaceutical**
(100.00%)



ST Pharm ¹⁾
(32.68%)



Dong-A ST ¹⁾
(22.09%)



Yong-Ma Logis
(100.00%)



Soo Seok
(100.00%)



DM Bio
(51.00%)

Dong-A Otsuka
(49.99%)

¹⁾ Listed company

* As of December 31, 2016

As of the end of 2016, there are 22 entities which are members of Dong-A Socio Group, and they operate in various business areas such as pharmaceuticals, logistics, bottle glass, and others. Dong-A Socio Holdings creates the overall organizational structure and helps the subsidiaries to strengthen their business capabilities, in an effort to create synergy, based on which it identifies measures to achieve continued growth.

At a Glance

In 2016, Dong-A Socio Holdings completed all the requirements set forth in the Fair Trade Act to become a holding company, and thus completed the change to a holding company structure. As the new structure has put down roots, Dong-A Socio Holdings and its subsidiaries have been achieving balanced growth, with sales growth across the subsidiaries as well as efficient cost control. Dong-A Socio Holdings' consolidated sales grew by 3.0% over the previous year to KRW 726.2 billion in 2016, and consolidated operating profits increased by 18.1%, to KRW 76.0 billion.

Business Performance

Holding Company

Dong-A Socio Holdings is responsible for its subsidiary management, and it offers business management services. Its main sources of revenue are dividends and shared services fees. The separate figure of its sales recorded KRW 55.3 billion in 2016, a year-on-year increase of 13.1% resulting from balanced growth in both dividend revenues of the company and service revenues of its subsidiaries.

Pharmaceuticals

Pharmaceuticals is the core business area of Dong-A Socio Holdings, and there are four subsidiaries which have expertise in their respective fields. Dong-A ST specializes in ethical (ETC) drugs, and it recorded sales of KRW 560.3 billion in 2016, a year-on-year decrease of 1.3%. ST Pharm handles the active pharmaceutical ingredient (API) business, and the company achieved 45.1% year-on-year growth in sales, generating KRW 200.4 billion. The company undertook an initial public offering (IPO) in June, 2016, and is listed on Korean Securities Dealers Automated Quotations (KOSDAQ). Dong-A Pharmaceutical

is a wholly owned subsidiary of Dong-A Socio Holdings, and runs the over-the-counter (OTC) and Bacchus® businesses. Its sales in 2016 were KRW 384.9 billion, a year-on-year increase of 5.9%. Meanwhile, Dong-A Socio Holdings' biosimilars unit was spin off and made into a new company, DM Bio, in 2015.

Logistics

Yong-Ma Logis, a specialist in third party logistics (3PL), grew by 12.7% over the previous year to record sales of KRW 168.2 billion in 2016. This was mainly attributable to providing a wider range of customized services, continued new business development, and the winning of contracts from new customers. The company also achieved a significant achievement in earning an A rating in the '2016 Service Evaluation of the Parcel Service Industry' conducted by the Ministry of Land, Infrastructure and Transport.

Bottle Glass

The main businesses of Soo Seok are glass bottles, bottle caps, and PET bottles. The company generated sales of KRW 91.9 billion in 2016, a 15.4% increase over the previous year. The company's new PET bottle business led this strong growth, thanks to its competitive position in heat resistant, heat and pressure resistant, and pressure resistant bottles.

Future Plans

In 2017, Dong-A Socio Holdings will continue to respond to the rapid changes in the business environment in both domestic and overseas markets, and will strive to become a truly global company. Dong-A Socio Holdings and all of its subsidiaries will join forces to achieve the goal of Dong-A Socio Group "to be a global healthcare player by establishing distinctive competencies in each business area" based on the newly established 'Vision 2025'. Each company will use its specific capabilities to develop competitiveness, and cross-group synergy will further expedite the development of innovative new drugs and the advance into global markets.

(Unit: KRW billion)

	Business Areas	Establishment	Sales	Operating Profit Margin (%)	Total Assets
Dong-A Socio Holdings ¹⁾	New business investments and R&D of new innovative drug	December 1932	726.2	10.5	1,402.2
Dong-A Pharmaceutical ³⁾	Manufacture of OTC (Over-the-counter) drugs, quasi-drugs including Bacchus® and consumer healthcare products	March 2013	384.9	12.3	196.2
ST Pharm ¹⁾	Manufacture of APIs (Active Pharmaceutical Ingredients)	August 2008	200.4	38.7	367.8
Dong-A ST ²⁾	Manufacture of ETC drugs, overseas business, and medical equipment and diagnostics	March 2013	560.3	2.7	1,066.5
DM Bio ³⁾	R&D and manufacture of biopharmaceuticals	April 2015	9.6	-	141.0
Yong-Ma Logis ³⁾	Logistics and storage	February 1979	168.2	4.5	133.7
Soo Seok ³⁾	Manufacture of bottle glass and PET	September 1969	91.9	6.4	153.8

¹⁾ Consolidated figures

²⁾ Separate figures

³⁾ Individual figures

* As of December 31, 2016



Dong-A Pharmaceutical

Based on its founding spirit of contributing to the health of the nation by creating medicines that will help people live better lives, Dong-A Pharmaceutical thinks deeply about the quality of life. In 2016, the company reached deeper in its areas of specialty focus, including OTC drugs, health functional foods, and quasi-drugs such as Bacchus[®], as it moved forward to become Korea's top healthcare company.

Business Review

Dong-A Pharmaceutical is a company specializing in over-the-counter (OTC) drugs, and a 100%-owned subsidiary of Dong-A Socio Holdings. Its main business areas include OTC products, which can be bought without a prescription, as well as health functional foods and quasi-drugs such as Bacchus®. It focuses its research capabilities on preventative medicine and new functional products to enhance quality of life, rather than on post-disease treatment. Dong-A Pharmaceutical has grown into Korea's top healthcare company, and will further strengthen its ability to develop medicines and services that can be trusted by people across the globe, with an ultimate goal to become a global healthcare company.

Business Performance

Dong-A Pharmaceutical achieved sales of KRW 384.9 billion in 2016, a year-on-year increase of 5.9%, backed by balanced growth across all our business units. Operating profits also rose by 8.9% to KRW 47.5 billion, with an operating profits margin of 12.3%. The Bacchus Unit recorded sales of KRW 212.3 billion, a 5.6% year-on-year increase, thanks to stable sales of Bacchus®-D and strong sales of Bacchus®-F, which has been an important driver of growth in recent years. The Healthcare Unit generated sales of KRW 167.3 billion, up 4.9% year-on-year, which was mainly attributable to sales growth in key products such as Panpyrin®, Benachio®, and Tempo®, as well as successful market launches of new products such as Eyebon®. As confirmed by these results, Dong-A Pharmaceutical has been able to maintain steady growth since the demerger in 2013.

Bacchus Unit

Bacchus® is the leading product in the domestic tonic drink market, and one of the most successful brands in Korea. It has been a consumer favorite for more than half a century, since its launch in 1963, and has set many records. In 2015, Bacchus® became the first single product sold by a pharmaceutical company in Korea to achieve annual sales of more than KRW 200 billion. In 2016, Bacchus® has continued its success story and delivered record performance in sales of KRW 212.3 billion, higher than ever. This achievement was made 20 years after its sales exceeded KRW 100 billion in 1994.

KEY FIGURES

(Unit: KRW billion)

Total Assets	196.2
Sales	384.9
Operating Profit	47.5
Operating Profit Margin	12.3%

* As of December 31, 2016

Consisting of nine branches, two sales offices, and 22 teams, the Bacchus Unit of Dong-A Pharmaceutical is in charge of efficient supply and distribution of Bacchus®. The company is expanding the market presence of Bacchus® by implementing a dual distribution strategy, providing Bacchus®-D through pharmacies and Bacchus®-F through general distribution channels. Of particular note, Bacchus®-D is supplied directly to around 20,000 pharmacies in Korea by 150 sales staff, using 75 vehicles. This Route Sales System enables the timely supply of products, detailed inventory control and precise cash flow management. Bacchus®-F is sold through general distribution channels, including convenience stores and supermarkets.

As of the end of 2016, Bacchus® had recorded sales of 19.7 billion bottles, enough to go around the world more than 58 times. This phenomenal statistic is the result of Dong-A Pharmaceutical's outstanding product competitiveness, excellent production capacity, systematic operations, and unwavering belief in quality.

Dong-A Pharmaceutical also uses distinctive marketing strategies that reach out to customers through varied content, including tailored TV ad campaigns that customers can truly identify with. In particular, the company is focusing its PR efforts on younger consumers, and in 2016, for example, Dong-A Pharmaceutical launched the 'Bacchus® Special Edition', which featured a product label with an image from Dong-A Pharmaceutical's 'Tour Korea for College Students', to symbolize the spirit of challenge and passion in the young people of Korea today.

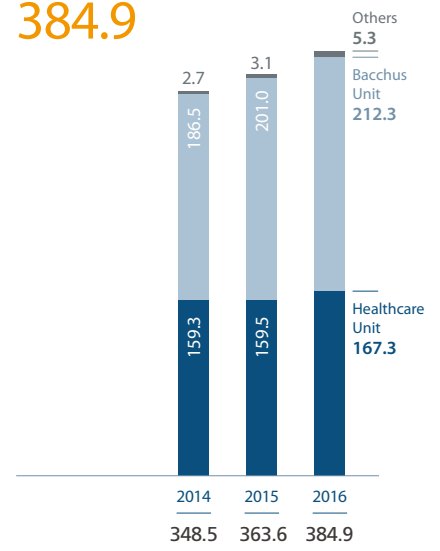
Dong-A Pharmaceutical will remain focused on the continued growth of Bacchus®, driven by product competitiveness and effective marketing strategies. The cash generated by sales of Bacchus® will support Dong-A Socio Group's development into a global healthcare player.



Dong-A Pharmaceutical is a company specializing in over-the-counter (OTC) drugs, and a 100%-owned subsidiary of Dong-A Socio Holdings. Its main business areas include OTC products, which can be bought without a prescription, as well as health functional foods and quasi-drugs such as Bacchus®.

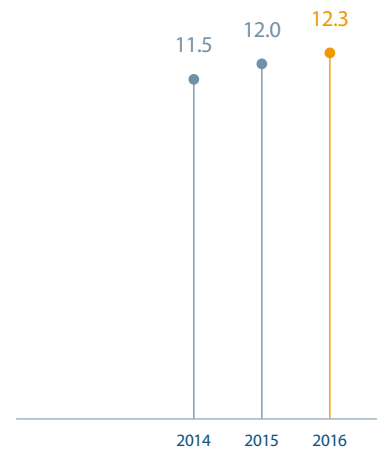
Sales
(Unit: KRW billion)

384.9



Operating Profit Margin
(Unit: %)

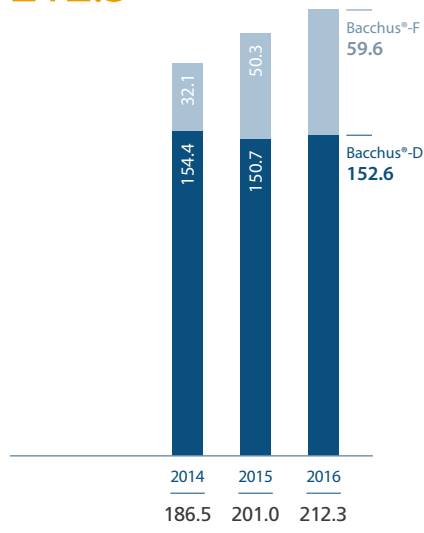
12.3



Bacchus® Sales

(Unit: KRW billion)

212.3



History of Bacchus®

	<h2>1961</h2>
	<p>First released in tablet form</p>
	<h2>1962</h2>
	<p>Changed to ampoule form</p>
	<h2>1963</h2>
	<p>Changed to drink form, and released as Bacchus®-D (Drink)</p>
	<h2>1991</h2>
	<p>Renewed to Bacchus®-F (Forte)</p>
	<h2>2005</h2>
	<p>Renewed to Bacchus®-D (Double), and launched Bacchus® Decafe with zero caffeine</p>
	<h2>2011</h2>
	<p>Launched Bacchus®-F</p>



Bacchus® Brand Site
<http://www.bacchusd.com>

Healthcare Unit

Dong-A Pharmaceutical supplies OTC products, health functional foods, and quasi-drugs to pharmacies and through general distribution channels. Supported by outstanding team work and field management, some 140 sales staff supply approximately 70 types of OTC products to about 20,000 pharmacies, and also supply quasi-drugs and health functional foods to large discount stores, convenience stores, and supermarkets across the nation. In addition, the company has dedicated OTC marketers and branches for OTC products that can only be sold to pharmacies – those products are supplied directly to pharmacies across the nation, and through around 90 wholesalers.

The Healthcare Unit achieved continued growth in 2016, thanks to steady increases in sales of established products. Benachio®, a digestive medicine that promotes gastric movement, generated sales of KRW 6.2 billion, a year-on-year increase of 25.9%, thus leading the overall growth of the Unit. Benachio® also achieved annual sales of more than 10 million bottles for the first time since its launch in 2009. This success was mainly attributable to expanding its product line-up from existing liquid form to include Benachio® Fine Granules and Benachio® Megazyme Tab. launched in 2015 and 2016, respectively.

Eyebon®, an eyewash, was launched in Korea in March 2016, and recorded sales of KRW 5.2 billion in its first year, quickly establishing a strong presence in the market. Noscarna Gel® has been rapidly building its position in the market for the treatment of scars since its release in 2013. The success of Noscarna Gel® has been supported by customer satisfaction with its easy, effective treatment of acne scars, for which only expensive treatments or cosmetics had previously been available. In 2016, of particular note, Dong-A Pharmaceutical repositioned Noscarna Gel® as an acne scar treatment, targeting consumers aged 18 to 24, resulting in more than a doubling of sales over the previous year.

While new products have responded quickly to consumer needs, long-established brands have maintained continued growth as well. Released in 1982, Garglin® was the first oral health mouthwash to be developed in Korea, and subsequently, Gum Garglin Gum Guard® was launched, to prevent gum disease as well as cavities. Dong-A Pharmaceutical concentrates its efforts on steady expansion in the product line-up and effective promotions of Morning Care®, which has enabled sales growth of the product. In November 2016, Morning Care® Turmeric S was launched in a large-size container for the first time in the industry.

Future Plans

The global healthcare market continues to change rapidly, driven by diversifying customer needs. The boundaries between the pharmaceutical industry and non-pharmaceutical industries such as food industry, for example, are becoming blurred. This all points to the need for accurate market insights and preemptive response to change.

Given this fast-moving business environment, Dong-A Pharmaceutical will focus on areas of high growth, where the company can lead future markets. Based on its newly established Vision 2025 to “develop innovative products and services that satisfy customer needs in the healthcare industry”, Dong-A Pharmaceutical will build strong market positions in key business areas. As a part of this effort, Dong-A Pharmaceutical established an independent research center in 2016, thus forming a research foundation where customer channel takes priority. The research center is expected to contribute to strengthening OTC drug expertise of the company. Moreover, Dong-A Pharmaceutical will accelerate its efforts in expanding market dominance by aligning its business plans with the R&D activities carried out by the newly established research center.



Key Products



Panpyrin®-Q

Anti-inflammatory, Antipyretic, Analgesic Drug

Panpyrin®-Q is a cold medicine in liquid form released in 2007. It is effective for colds, aches, and headaches, as well as for coughs and phlegm, and delivers outstanding effects in the initial phase of a cold. As Dong-A Pharmaceutical's flagship OTC product, it maintained strong market share of about 65% in 2016, reinforcing its leading position in the domestic liquid cold medicine market.



Panpyrin®-T

Anti-inflammatory, Antipyretic, Analgesic Drug

Released in 1956, Panpyrin®-T is a cold medicine tablet that is effective in treating colds, aches and headaches, and particularly effective in the initial phase of a cold. It is available in two packages – 300 tablets and 3 tablets. The three tablet product was nominated as one of eleven safe household drugs determined by a government selection process that began in 2012, and is also available at 24-hour convenience stores.

Quasi-Drugs



Bacchus®

Tonic

Since its launch in 1963, Bacchus® has been leading the domestic tonic market. It was reclassified from an OTC drug to a quasi-drug in 2011, and recorded sales of KRW 212.3 billion in the domestic market in 2016. Bacchus®-F, in particular, grew 18.4% from the previous year, continuing its double-digit growth. It is 20ml larger than Bacchus®-D for pharmacies only, and contains DL-carnitine which improves digestive functions. It is sold at convenience stores and supermarkets. Bacchus® for exports is available as a canned product, and Dong-A ST is in charge of its sales.



Garglin®

Mouthwash

Garglin® is effective in cavity prevention and in reaching a level of oral care that cannot be achieved by brushing alone. It kills 99.9% of S. mutans, which causes cavities. Garglin® remains the leader in the mouthwash market, thanks in large part to a line-up expansion and brand renewal in 2015. In 2016, Dong-A Pharmaceutical moved into the gum care market by launching Gum Garglin Gum Guard®, which prevents gum disease as well as cavities.



Tempo®

Tampon

Released in 1977, Tempo® is Korea's first domestic tampon. It is completely safe to use, even for sensitive skin, as it is manufactured from an absorbent material made of pure cotton. In addition, unlike menstrual pads, it is comfortable because it does not cause skin irritation and does not leak. Tempo Eco Natural, which uses 100% pure organic cotton, was launched in 2014, strengthening its product line-up.



Benachio®

Dyspepsia Treatment

Released in 2009 as a functional dyspepsia treatment, Benachio® is effective for general indigestion as well as loss of appetite, epigastric distension, nausea, and vomiting. In 2015, it became Korea's first liquid digestive medicine to demonstrate proven effects of functional dyspepsia improvement through a clinical trial. Its marketing campaign emphasizes how this phytomedicine, which contains no carbonic acid and indicates low irritation levels, promotes gastric movement.



Myvlar® Tab.

Contraceptive Medicine

Dong-A Pharmaceutical made its first steps into the contraceptive medicine market in 2015 when it acquired four oral contraceptive medicines from Bayer Korea, including Myvlar®, a third-generation contraceptive medicine containing gestoden. In 2016, Myvlar® led the overall growth by earning second place in market share. Meliane® is favored by women who have not taken contraceptive medicines before, due to its reduced estrogen content. Minivlar® and Triquilar® contain levonorgestrel and have a low risk of thrombosis, which in turn makes them popular with women who are at greater risk of related illnesses.



Eyebon®

Eyewash

Launched in 2016, Eyebon® is the first eyewash product from a Korean pharmaceutical company. It washes away foreign substances in the eyes that come directly or indirectly from perspiration, fine dust, contact lenses, or cosmetics. Eyebon® also prevents problems in the eyes by protecting the cornea and helping with recovery from fatigue, thus contributing to improving quality of life.

Health Functional Foods



Bigen®

Hair Color Product

Bigen® has been a long-time market leader in the highly competitive hair color product market, thanks to its high level of customer awareness and proven product quality, based on the tradition of more than 100 years. Bigen® was launched as a powder form in 1957, followed by the release of the Bigen® Cream Tone in 1991, the Bigen® Cream Foam in 2011, and the Bigen® Cream Tone Speedy in 2015, in order to satisfy different consumer needs.



D.C. Daily®

Immune Booster

D.C. Daily® is a premium health functional food containing cordyceps militaris. It received certification other functional claim, 2nd grade for its immunity support function. Clinical trials proved that it activates natural killer cells, increases white blood cell (lymphocyte) production, and activates macrophage, which in turn functions as phagocyte and stimulates the generating of cytokine. Made of brown rice cordyceps militaris grown in Korea, it is provided in tablet form for convenient consumption.

Drinks



Morning Care®

Hangover Drink

Morning Care® is a drink that eases the symptoms of hangovers, and helps to protect the liver from the damage caused by alcohol. First released in 2005, Dong-A Pharmaceutical has been expanding its product line-up by releasing Morning Care® Plus, which was recognized its function as a health functional food, and Morning Care® Lady for women, which contains hyaluronic acid and collagen. It has further strengthened market dominance by releasing Morning Care® Turmeric in 2015 which contains turmeric, water chestnut, and rice soybean extract (RSE), and Morning Care® Turmeric S in a large-size container in 2016.



ST Pharm

ST Pharm sets its standards higher, with the ultimate aim of moving beyond simply being an API manufacturer in Korea, and becoming a global chemical company – this is ST Pharm’s commitment to its clients, shareholders, and all the people who need its products and services. ST Pharm will continue to grow in a sustainable manner, and on a global scale, by maintaining the highest possible standards of business performance, R&D and product quality.

Business Review

ST Pharm specializes in manufacturing active pharmaceutical ingredients (APIs) and pharmaceutical intermediates. Its main business areas include contract manufacturing organization (CMO) of new drug APIs, generic APIs, fine chemicals, and bio.

Business Overview

CMO of New Drug APIs

CMO of new drug APIs, the company's core business area, is categorized into small molecule APIs and RNA (oligonucleotide) therapeutics. ST Pharm has been focusing on nucleoside antiviral drugs since developing a synthesis technique for Zidovudine, a nucleoside HIV treatment, in 1987. As a result, it has continuously supplied nucleoside HIV treatment to global pharmaceutical companies. For example, ST Pharm supplies Zidovudine and Thymidine to GlaxoSmithKline (GSK), and a different HIV treatment intermediate to Bristol-Myers Squibb (BMS). Based on these proven capabilities, ST Pharm also supplies APIs of a new nucleoside hepatitis C treatment to a global pharmaceutical company, renowned for its innovative hepatitis treatment. And all these lead the stable and continued growth of the company.

Also called RNA-based or oligonucleotide therapeutics, nucleic acid-based therapeutics is a direct binding of designed small DNA or RNA fragments to inner body RNA, driving inhibition of disease-related protein generation at the gene level. ST Pharm is the only Oligo CMO in the industry, equipped with a fully integrated system, along with top manufacturing technology and a business network with leading global oligo-drug developers. ST Pharm is thus growing into Asia's first commercial scale Good Manufacturing Practice (GMP) for oligonucleotide production.

Generic APIs

ST Pharm is entering niche markets in the area of generic APIs and implementing a concentration and differentiation strategy, based on its technological strengths. Leveraging its long-term cooperative relations with global pharmaceutical companies, ST Pharm supplies brand generic APIs¹⁾ to original manufacturers that hold the original patents for patent-expired products.

KEY FIGURES

(Unit: KRW billion)

Total Assets	367.8
Sales	200.4
Operating Profit	77.6
Operating Profit Margin	38.7%

* As of December 31, 2016

Fine Chemicals

ST Pharm has been involved in fine chemicals since 2013, based on its proprietary synthesis technique. Fine chemicals is a technology-intensive high value-added business that involves developing and supplying customized specialist technologies for the chemical materials and products used in the electronics, textiles, resins, and medical treatment industries. The company is expanding the scope of its business to include electronics materials such as secondary batteries, engineering plastics, materials for cosmetics, biomass materials, and additives, using the techniques that the company has developed from pharmaceutical synthesis.

Bio

In recent years, the R&D efforts which use synthetic genes to develop new treatments at the gene level has received global recognition, and ST Pharm is leading the development of nucleic acid therapies. The company established the only oligo synthesis facility in Korea that satisfies GMP regulations in 2003, which enables the company to supply various oligo drugs and candidate substances to researchers in Korea and abroad.

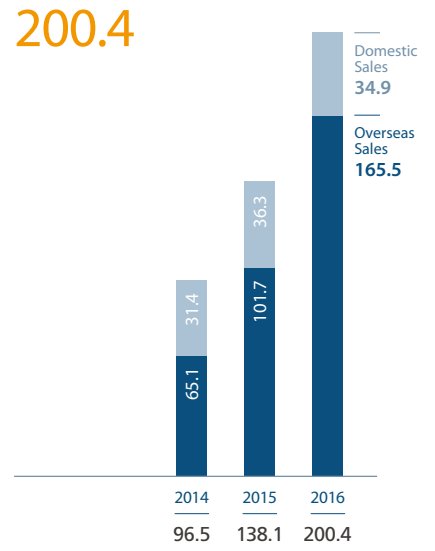


¹⁾ APIs supplied to originator after the originator's patent expiration. For securing competitiveness against generic products, the originator expands outsourcing of their off-patent drug APIs

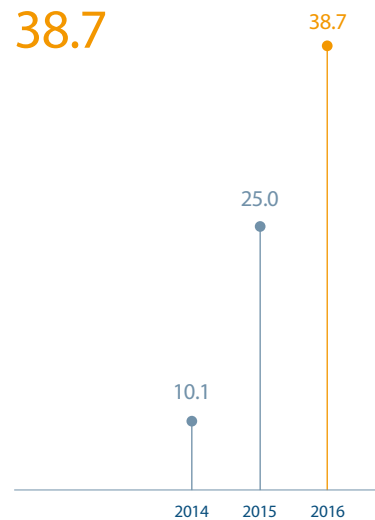


ST Pharm specializes in manufacturing active pharmaceutical ingredients (APIs) and pharmaceutical intermediates.

Sales
(Unit: KRW billion)

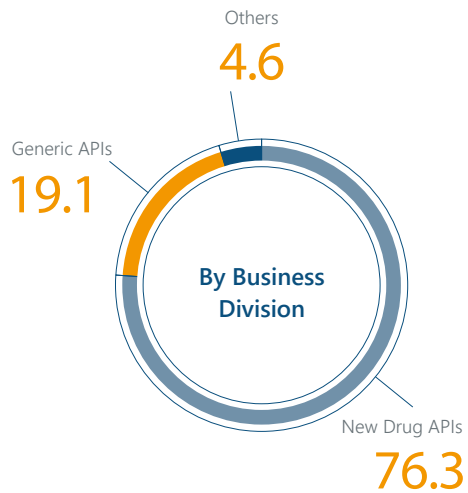
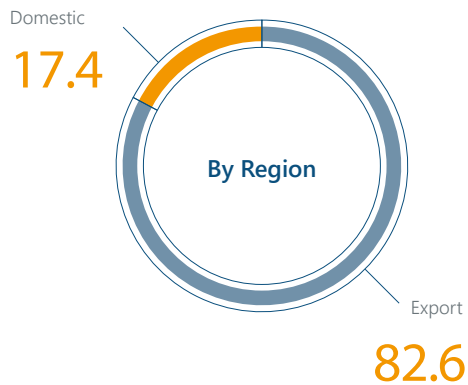


Operating Profit Margin
(Unit: %)



2016 Sales Composition

(Unit: %)



Business Performance

ST Pharm recorded sales of KRW 200.4 billion, a year-on-year increase of 45.1%, in 2016. It was the first time that the company's sales have exceeded KRW 200 billion, and operating profits also rose to KRW 77.6 billion, a substantial growth of 124.9% over the previous year. This growth was enabled by a sharp increase in sales of the hepatitis C treatment API, an API for a blockbuster product recognized worldwide as an innovative new drug. ST Pharm has been providing the hepatitis C treatment API to a global pharmaceutical company, and this has led to annual average sales and operating profit growth of 33.5% and 92.6%, respectively for the last three years. ST Pharm is accelerating its growth pace backed by its outstanding product competitiveness and a solid partnership based on reliability.

Future Plans

ST Pharm is aiming to become a "thriving global chemical company with high quality products & service". In 2017, it plans to focus on building a global business infrastructure to realize this goal. The company will expand its world-leading production facilities, generate extra sales from existing customers, and strive to win new large-scale CMO business. The company's mid- to long-term potential will be enhanced through new technology-based R&D, and ST Pharm will also put great efforts into building its global network. After completing the infrastructure for global business, ST Pharm will begin overseas business diversification in 2021, with the target of becoming a global and comprehensive manufacturer of in-house developed new drug APIs by 2025.

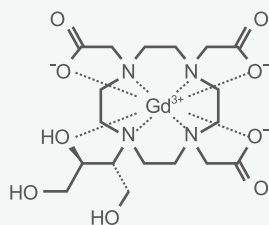


Key Products

New Drug APIs

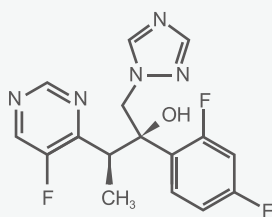
ST Pharm has a track record of supplying API for Zidovudine, the first AIDS treatment, as one of the world's leading suppliers of that API, to GSK since 1990s. In addition, the company supplies various other APIs, including hepatitis C treatments and oligonucleotide, to global pharmaceutical companies and new drug developers. In 2016, sales of new drug APIs accounted for 76.3% of total sales, which enable the company to achieve continued growth in sales and profitability.

Generic APIs



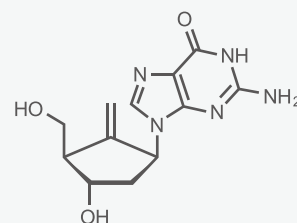
Gadobutrol

Gadobutrol is a generic API of Bayer's original drug Gadavist, an MRI contrast media. Thus far, no generic has been released worldwide, enabling ST Pharm to build a niche market. Gadobutrol is expected to contribute to sales growth in the future.



Voriconazole

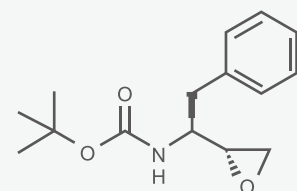
Voriconazole is a generic anti-fungal agent that was developed for the company's entry into the Japanese market. An independently developed synthesis technique was used for this incrementally modified drug (IMD), to avoid patents.



Entecavir

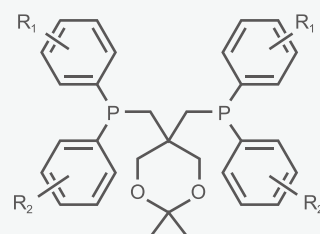
Entecavir is a hepatitis B treatment developed for the Korean market. As the patent on the original product will soon expire, ST Pharm plans to drive forward the supply of Entecavir to the multinational pharmaceutical company which developed the original product.

Fine Chemicals



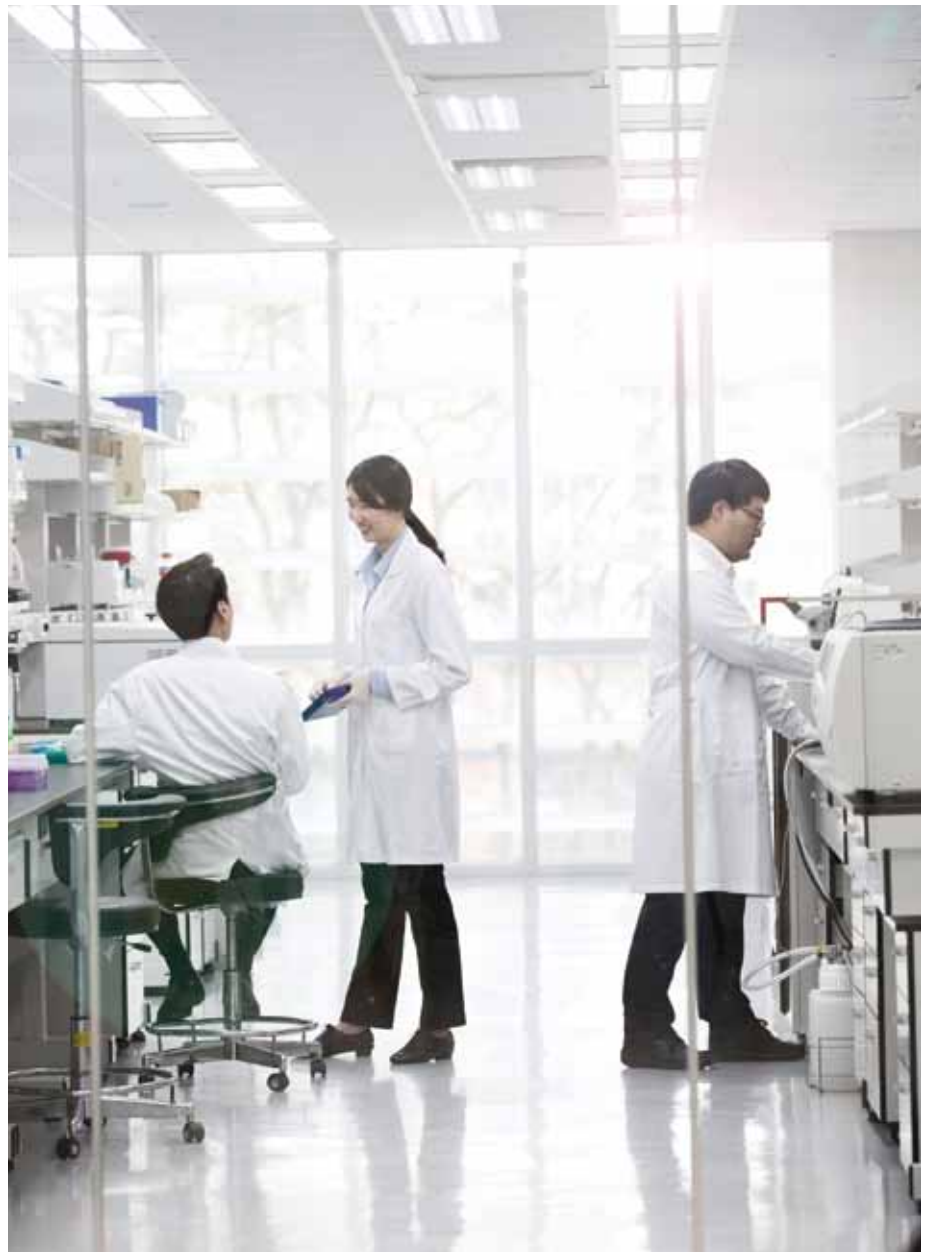
RBEP

RBEP is an intermediate in the production of Atazanavir, an AIDS treatment from BMS, and has been supplied to BMS since 2007. ST Pharm is also working on supplying the API of Atazanavir, and when this is achieved, it will be the foundation of an API supply business.



HKC-200

ST Pharm supplies plastic catalysts for polymerization, which are used by Hyosung in the production of a new material called polyketone, a type of high-performance engineering plastics. Increased production of polyketone offers the opportunity of increased supply of HKC-200.



ST Pharm puts its R&D efforts to maintain growth and speed up innovation, and the ST Pharm Research Center is the driving force behind ST Pharm's development into a global API company.

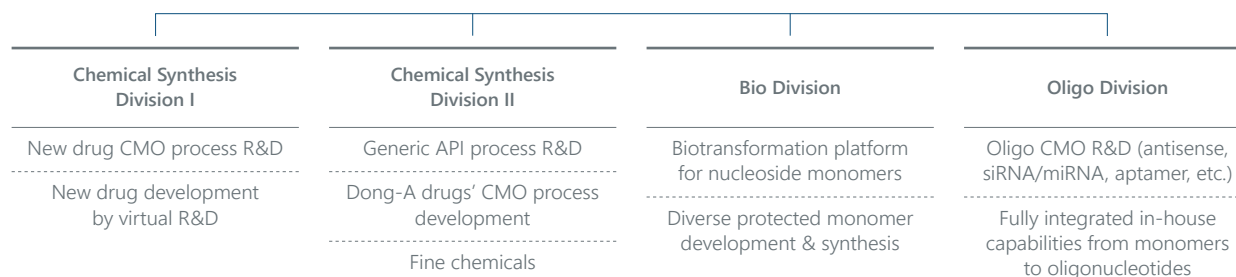
Research & Development

ST Pharm Research Center

Led by its Research Center, ST Pharm's R&D focuses on the development of API production technology, the scaling-up of new drug candidate substances, and process improvements. R&D investment totaled KRW 8.6 billion in 2016, equivalent to 4.3% of the company's total sales.

The ST Pharm Research Center is the driving force behind ST Pharm's development into a global API company. It is subdivided into three areas of research – synthesis, bio, and oligo – and undertakes specialized R&D in each field. The Research Center also strives to develop new drugs through joint research and partnerships with world-renowned pharmaceutical companies.

R&D Organization



Manufacturing Plants

	Sihwa Plant	Banwol Plant 1	Banwol Plant 2
Area	16,400m ²	8,810m ²	19,410m ²
Reactors	64	26	48
Total Reactor Capacity	286,100L	86,000L	97,760L
Commercial Scale Plants (Reactor Size)	Plant 1, 2, 3, 5, 6 and Oligo (3,000-7,000L)	Sector 1, 2 (3,000-7,000L)	Plant 1, 2, 3 and Oncology (100-7,000L)
Pilot Scale (Reactor Size)	Kilo & Pilot Lab (50-100L, 200-500L)	Sector 3, 4 (500-2,000L)	Plant 2 (B Line) (100-2,300L)

* cGMP refers to the current Good Manufacturing Practice regulations enforced by the US Food and Drug Administration (FDA). cGMPs provide for systems that assure proper design, monitoring, and control of manufacturing process and facilities.

Global Standard Facilities

ST Pharm has signed long-term supply contracts with major global pharmaceutical companies. It takes part in the process development research of global pharmaceutical companies, starting from the initial stages of new drug development. This in turn earns ST Pharm exclusive rights to supply the relevant APIs. The company operates an international production system that has received quality certifications in Korea and from major advanced economies. In particular, the Shihwa Site has won current Good Manufacturing Practice (cGMP) certification from the US Food and Drug Administration (FDA), as well as certifications in Korea and abroad, including the Pharmaceuticals and Medical Devices Agency (PMDA) in Japan, the Therapeutic Goods Administration (TGA) in Australia, and the World Health Organization (WHO). It also earned cGMP* certification from the EU European Medicines Agency (EMA) in June 2016.

ST Pharm was listed on the KOSDAQ market on 23rd June 2016, in order to raise investment funds for future growth. After going public, ST Pharm began the design of a dedicated oligonucleotide API production plant within its Banwol Site 2. This has established the foundations for stable business, as well as supporting additional growth in the CMO of new drug APIs, the company's main business.

Other Subsidiaries

DM Bio

Key Figures
(Unit: KRW billion)

Total Assets
141.0

Sales
9.6

Manufacturing Capacity
8,000 L

* As of December 31, 2016

DM Bio has been accelerating the pace of innovation to become a 'Global Total Bio Pharma', with a clear focus on quality management.



www.dmbio.com



Dong-A Socio Holdings signed a comprehensive business alliance contract on a biosimilars business with Meiji Seika Pharma of Japan in 2011, and agreed to cooperate throughout the entire process that ranges from R&D to manufacturing and sales. The two companies invested around KRW 100 billion and completed the construction of the current Good Manufacturing Practice (cGMP) bio-pharmaceutical plant, which was designed in accordance with global regulations, in May 2014, which was followed by the launch of DM Bio in April 2015. Established by the two companies, DM Bio is a joint venture company that specializes in biosimilars. In addition to manufacturing and supplying products jointly developed by the two companies, DM Bio is actively carrying out the Contract Manufacturing Organization (CMO) business for other companies, including product manufacturing and process development services.

Core Strengths

The plant of DM Bio covers a site spanning around 144,430 m² in the Songdo District, part of the Incheon Free Economic Zone, with a total floor space of 22,209 m². It consists of the main three-floor building, a waste-water treatment facility, a hazardous substances warehouse, and a security building. The plant 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. DM Bio has also established a flexible and efficient production system by using a hybrid system that combines the advantages of single-use and multi-use systems for the efficient production of therapeutic biologics.



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

ONE STOP SHOP A plant equipped with facilities of entire process from process development through production of APIs and finished products

5

GLOBAL STANDARDS Complies with global guidelines to produce high-quality bio-pharmaceuticals

DM Bio commenced drug substance manufacturing in March 2015, and received drug substance manufacturing license from the Korean Ministry of Food and Drug Safety (MFDS) in September. The company received drug product manufacturing license in April 2016 and began producing finished products based on an aseptic filling and packaging process. DM Bio also received drug substance GMP certification from the Korean MFDS in November 2016, and plans to receive drug product GMP certification in the first quarter of 2017. It also built the Process Development Lab in August 2016 for process development, and commenced relevant work in September.

Major competitiveness of DM Bio is the expertise, experience, and know-how of two leading pharmaceutical companies from Korea and Japan, in addition to an outstanding infrastructure. Because of considerable differences among countries in pharmaceutical approval regulations, customized clinical trials are required for entry into overseas markets. That is why DM Bio targets the Korean and Japanese markets, and plans to expand its business in a phased manner. The company first entered the Japanese market, where Meiji Seika Pharma has extensive market experience and presence, and will advance into other markets such as Korea, Europe, and the U.S. Dong-A Socio Holdings and Meiji Seika Pharma will obtain sales approval in their respective country, and will work in partnership in the global market.

Current Progress & Future Plans

According to EvaluatePharma, a global pharmaceutical industry analysis company, global market sales of Herceptin®, a HER-2 benign breast cancer treatment, reached around USD 6.7 billion in 2016, and demand is forecast to rise in 2017 to USD 6.9 billion. DM Bio is developing DMB-3111, a biosimilar of Herceptin®, and successfully completed a phase I clinical trial in Japan in 2015, proving that DMB-3111 has extremely high equivalence with the original drug. DM Bio signed a licensing-out agreement on DMB-3111 with Gedeon Richter, a pharmaceutical and biopharmaceutical company in Hungary, in October 2016. Accordingly, DM Bio will license out DMB-3111 manufacturing technology for its local production in Hungary as well as exclusive rights in Europe, Russia, Commonwealth of Independent States (CIS), and Latin America. The company will receive up-front payment, milestone payments at certain stages of development, and royalty after commercialization.

DM Bio is also researching biosimilars of Stelara®, a psoriasis treatment, as well as Opdivo® and Keytruda®, which are immune checkpoint inhibitors. It plans to actively sign licensing-out agreements with global pharmaceutical companies for each phase of clinical development. It will expand its business areas starting from CMO and expedite its entry into global markets, including Europe and the US.

Yong-Ma Logis

Key Figures
(Unit: KRW billion)

Total Assets
133.7

Sales
168.2

Operating Profit
7.6

www.yongmalogis.co.kr

* As of December 31, 2016

Yong-Ma Logis will grow into a leader in the global SCM market by providing specialized logistic services, across the entire supply chain, for the best customer satisfaction.

Yong-Ma Logis is a third party logistics (3PL) company and specializes in difficult-to-handle products, such as pharmaceuticals and cosmetics. The company quickly responds to customer needs with 34 directly-managed networks around the nation, operates a Quality Assurance (QA) organization to offer high-quality services, and has earned such qualifications as Korean Good Supplying Practice (KGSP) and ISO 9001/14001. It became the industry's first to adopt the Warehouse Management System (WMS), and has advanced logistics information systems, such as the Transportation Management System (TMS) and Delivery Management System (DMS), which provide freight visibility. Yong-Ma Logis is receiving external recognition for delivering higher customer satisfaction based on such competitiveness. In 2016, or particular note, the company was awarded the Grand Prize in the customer value management/logistics service category of the '2016 Korea Management Awards'.



Key Achievements

Yong-Ma Logis achieved sustained business success in 2016. In the delivery service business, the company posted sales of KRW 62.3 billion, a year-on-year rise of 11%, by renewing contracts with previous customers and attracting 13 new customers. The company raised work efficiency by establishing a sorting base dedicated to cosmetics in May 2016, and enhanced operational efficiency for super supermarket (SSM) delivery. Yong-Ma Logis also was the only company in the corporate parcel service business to obtain Grade A in the '2016 Parcel Delivery Service Evaluation' held by the Ministry of Land, Infrastructure and Transport.

The 3PL service business grew significantly to record sales of KRW 55.2 billion, up 26% year-on-year by successfully attracting new customers despite some major customers switching to in-house logistic services. The company especially attracted new consignors in the medical equipment sector by offering high added-value services, such as the pharmaceutical serial number system, and expanding its KGSP-certified warehouse.

The transportation service business, which showed negative growth in 2015, turned around and entered a growth phase by generating sales of KRW 30.5 billion, up 14% from the previous year, thanks to the attraction of new customers.

The forwarding service business generated sales of KRW 20.2 billion, a year-on-year drop of 10%, owing to the withdrawal of the overseas plant business. In 2017, however, the company anticipates an ongoing recovery in sales as it is expected to earn Authorized Economic Operator (AEO) certification from National Tax Service. Yong-Ma Logis will also strengthen its existing business of bonded warehouses operation and special deliver services, while diversifying its businesses for additional sources of revenue. To this end, the company will expand joint business with other companies, including Yamato Global Logistics (YGL) of Japan.

Future Plans

Yong-Ma Logis is targeting sales of KRW 178 billion in 2017, 5.8% up from the previous year. The company will strive to realize its mid- to long-term vision of becoming a global Supply Chain Management (SCM) leader in the area of health & beauty by 2025. To this end, it will choose a promising business for each business unit and bolster relevant competitiveness, while striving to diversify its business areas by identifying new business and expanding its overseas business. It will further advance its logistics capabilities by improving logistics process and building a global Quality Management System (QMS). The company will also focus on expanding global presence and networks.

Soo Seok

Key Figures
(Unit: KRW billion)

Total Assets
153.8

Sales
91.9

Operating Profit
5.9

www.isooseok.com

* As of December 31, 2016

Soo Seok has been continuing along its path of sustained growth as a comprehensive packaging container specialist, producing eco-friendly and high-quality products.

Soo Seok is a comprehensive packaging container manufacturer that produces packaging containers, such as glass bottles, aluminum caps, PET bottles, and plastic caps. Founded in 1969, the company became a member of Dong-A Socio Group in 1978. As of the end of 2016, the company consists of the Glass Unit, which produces amber and colorless bottles; the Cap Unit, for a wide range of caps, including standard caps and polyethylen mold caps; and the P.P Unit, to manufacture non-pressure resistant (NR) PET, heat resistant (HR) PET, pressure resistant (PR) PET, and plastic caps.

Key Achievements

Soo Seok continues efforts to improve stability and profitability of its established business areas, while expanding its position in new markets. In the business of glass bottles, which are the company's main products, Soo Seok leveraged its experience of more than 40 years to build state-of-the-art automatic bottle-



forming facilities and establish an automation system for all production processes. This enabled the company to produce quality glass bottles in large quantities. To actively respond to increased diversification of packaging containers, Soo Seok moved forward with business area expansion to include aluminum caps in 2007, plastic caps in 2009, and the PET market in 2011. After completing the construction of a plant to manufacture HR PET and PR PET in 2014, Soo Seok focused on strengthening production capabilities and widening distribution of its PET products in 2015. As a result of these efforts, the company's sales reached KRW 91.9 billion in 2016, a year-on-year rise of around 15.5%.

Soo Seok voluntarily runs an industrial accident prevention campaign, based on rigorous safety policies and voluntary participation of its staff. The company is steadily improving its work environment, such as by introducing automation systems in all production processes to remove risk factors. As a result, Soo Seok achieved a safety record that is 10 times better than its accident-free target for a total 3,360 days from November 10, 2006 through January 22, 2016. Thanks to its excellence in safety management, the company received a certificate on accident-free target achievement from the Korea Occupational Safety & Health Agency, and currently all staffs are striving to achieve a safety record that is 11 times better than the target in 2017. The company's placement of priority on safety contributed to increased trust and cooperation between labor and management, and also to stabilizing labor-management relations and promoting employment. In recognition of this achievement, Soo Seok was certified as the G-Labor and Management Relations Excellence Company in August 2016 by the Gyeonggi-do Local Government.

Future Plans

The company's Cap Unit and P.P Unit will move to a new 57,000 m²-sized plant that is located in the Hapdeok Indus Park industrial complex in South Chungcheong Province in the first half of 2017. This is in accordance with a memorandum of understanding (MOU) signed with Dong-A Pharmaceutical in 2015. The latest facilities of the new plant and the company's extensive know-how will come together to significantly innovate productivity. Also, gathering the production facilities of Soo Seok and Dong-A Pharmaceutical in one place will generate synergy between the businesses which is anticipated to curtail costs and enhance production efficiency.

Dong-A Socio Holdings Financial Review

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048	Separate Financial Statements
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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 Separate Financial Statements

We have audited the accompanying separate financial statements of Dong-A Socio Holdings Co., Ltd. (the "Company"), which comprise the separate statements of financial position as at December 31, 2016 and 2015, 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 separated financial position as of December 31, 2016 and 2015 and its separate financial performance and its separate cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 16, 2017

This report is effective as of March 16, 2017, 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, 2016 and 2015

(In thousands of won)

	2016	2015
ASSETS		
Cash and cash equivalents	₩ 38,980,110	49,978,584
Trade receivables	38,374,652	7,539,787
Other receivables	862,803	2,385,489
Other financial assets	1,176,450	4,951,860
Other current assets	537,129	609,638
Current tax assets	-	303,055
Total current assets	79,931,144	65,768,413
Long-term financial instruments	14,500	14,500
Other receivables	75,260	1,692
Other financial assets	19,572,790	36,358,946
Investments in associates and joint ventures	535,680,133	304,219,957
Investments in subsidiaries	124,921,326	152,112,090
Property, plant and equipment	57,537,021	47,882,620
Intangible assets	2,543,291	3,329,651
Investment property	8,666,733	8,931,702
Other non-current assets	53,829	144,992
Deferred tax assets	6,964,853	-
Total non-current assets	756,029,736	552,996,150
Total assets	₩ 835,960,880	618,764,563

As of December 31, 2016 and 2015

(In thousands of won)

	2016	2015
LIABILITIES		
Other payables	₩ 13,053,249	7,275,760
Short-term borrowings	185,004,216	197,019,509
Other financial liabilities	163,983	473,303
Other current liabilities	9,144,000	-
Current tax liabilities	409,604	-
Total current liabilities	207,775,052	204,768,572
Other financial liabilities	53,829	144,992
Other non-current liabilities	17,526,628	-
Employee benefits	-	6,044,339
Deferred tax liabilities	-	4,535,333
Total non-current liabilities	17,580,457	10,724,664
Total liabilities	225,355,509	215,493,236
EQUITY		
Share capital	30,251,565	23,333,955
Share premium	278,587,197	79,800,412
Capital adjustments	(193,337,293)	(193,337,293)
Other equity components	89,691,514	88,313,805
Retained earnings	405,412,388	405,160,448
Total equity	610,605,371	403,271,327
Total liabilities and equity	₩ 835,960,880	618,764,563

Separate Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

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

	2016	2015
Operating revenue	₩ 55,252,587	48,855,138
SSC and brand royalty	32,555,404	27,039,834
Dividends	21,608,278	20,882,802
Others	1,088,905	932,502
Operating expenses	58,878,541	56,188,248
Salaries	17,724,585	15,881,705
Retirement benefits	1,700,976	1,695,497
Employee benefits	1,759,428	1,442,915
Other selling, general and administrative expenses	18,277,357	14,974,595
Research and development costs	19,416,195	22,193,536
Operating loss	(3,625,954)	(7,333,110)
Other income	2,421,766	56,593,886
Other expenses	(361,854)	(16,328,352)
Finance income	2,493,594	6,599,113
Finance costs	(7,930,111)	(8,185,218)
Profit before income tax	(7,002,559)	31,346,319
Income tax expense	(11,654,050)	4,920,541
Profit for the year	₩ 4,651,491	26,425,778
Other comprehensive income (loss)		
Items that will not be reclassified to profit (loss):		
Defined benefit plan actuarial losses	₩ 267,240	(1,220,822)
Items that are or may be reclassified subsequently to profit (loss):		
Unrealized net change in fair value of available-for-sale financial assets	1,863,729	(126,177)
Other comprehensive profit (loss) for the year	2,130,969	(1,346,999)
Total comprehensive income for the year	₩ 6,782,460	25,078,779
Earnings per share		
Basic earnings per share (in won)	914	5,777
Diluted earnings per share (in won)	893	5,375

Separate Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(In thousands of won)

	Share capital	Share premium	Capital adjustments	Other equity components	Retained earnings	Total equity
Balance at January 1, 2015	₩ 22,407,955	64,795,698	(193,337,293)	88,926,003	384,437,083	367,229,446
Total comprehensive income for the year:						
Profit for the year	-	-	-	-	26,425,778	26,425,778
Other comprehensive income (loss):						
Change in fair value of available-for-sale financial assets	-	-	-	(126,177)	-	(126,177)
Defined benefit plan actuarial losses	-	-	-	-	(1,220,822)	(1,220,822)
Total other comprehensive income	-	-	-	(126,177)	(1,220,822)	(1,346,999)
Total comprehensive income for the year	-	-	-	(126,177)	25,204,956	25,078,779
Transactions with owners, recognized directly in equity:						
Dividends	-	-	-	-	(4,481,591)	(4,481,591)
Exercise stock warrants	876,000	14,444,977	-	(486,021)	-	14,834,956
Exercise convertible rights	50,000	559,737	-	-	-	609,737
Total transactions with owners	926,000	15,004,714	-	(486,021)	(4,481,591)	10,963,102
Balance at December 31, 2015	₩ 23,333,955	79,800,412	(193,337,293)	88,313,805	405,160,448	403,271,327

For the years ended December 31, 2016 and 2015

(In thousands of won)

	Share capital	Share premium	Capital adjustments	Other equity components	Retained earnings	Total equity
Balance at January 1, 2016	₩ 23,333,955	79,800,412	(193,337,293)	88,313,805	405,160,448	403,271,327
Total comprehensive income for the year:						
Profit for the year	-	-	-	-	4,651,491	4,651,491
Other comprehensive income (loss):						
Change in fair value of available-for-sale financial assets	-	-	-	1,863,729	-	1,863,729
Defined benefit plan actuarial income	-	-	-	-	267,240	267,240
Total other comprehensive income	-	-	-	1,863,729	267,240	2,130,969
Total comprehensive income for the year	-	-	-	1,863,729	4,918,731	6,782,460
Transactions with owners, recognized directly in equity:						
Dividends	-	-	-	-	(4,666,791)	(4,666,791)
Exercise stock warrants	876,000	14,430,047	-	(486,020)	-	14,820,027
Exercise convertible rights	986,130	12,502,258	-	-	-	13,488,388
Investment in kind	5,055,480	171,854,480	-	-	-	176,909,960
Total transactions with owners	6,917,610	198,786,785	-	(486,020)	(4,666,791)	200,551,584
Balance at December 31, 2016	₩ 30,251,565	278,587,197	(193,337,293)	89,691,514	405,412,388	610,605,371

Separate Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(In thousands of won)

	2016	2015
Cash flows from operation activities		
Profit for the year	₩ 4,651,491	26,425,778
Adjustments	(24,085,381)	(47,634,006)
Changes in assets and liabilities	(5,474,237)	(2,962,757)
Dividends received	21,608,279	20,820,291
Income taxes paid	200,945	(16,135)
Net cash provided by (used in) operating activities	(3,098,903)	(3,366,829)
Cash flows from investing activities		
Interest received	662,645	1,961,411
Proceeds from collection of short term receivables from employees	-	5,000
Proceeds from sale of available-for-sale financial assets	18,752,288	30,354,191
Proceeds from sale of held-to-maturity financial assets	6,800	17,080
Decrease in long-term financial Instruments	-	500
Proceeds from sale of investments in associates	-	12,890,776
Proceeds from sale of investments in joint ventures	103,378	38,694,754
Proceeds from sale of property, plant and equipment	2,364,278	15,987
Proceeds from sale of intangible assets	180,000	-
Proceeds from sale of investment property	38,114	26,924
Decrease in deposits	1,432	10,300
Acquisition of available-for-sale financial assets	-	(10,000,000)
Acquisition of held-to-maturity financial assets	-	(8,700)
Acquisition of investments in subsidiaries	-	(27,732,744)
Acquisition of investments in joint control	(20,400,000)	-
Acquisition of investments in associates	-	(53,898,138)
Acquisition of property, plant and equipment	(14,144,158)	(15,137,244)
Acquisition of intangible assets	(30,000)	(229,415)
Increase in deposits	(75,000)	(300)
Net cash used in investing activities	₩ (12,540,223)	(23,029,618)

For the years ended December 31, 2016 and 2015

(In thousands of won)

	2016	2015
Cash flows from financing activities		
Proceeds from short term borrowings	₩ 20,000,000	55,000,000
Issuance of new stock	14,820,026	14,833,673
Interest paid	(5,513,579)	(6,275,168)
Dividends paid	(4,666,791)	(4,481,591)
Repayment of short-term borrowings	(20,000,000)	(20,000,000)
Repayment of current portion of long-term borrowings	-	(40,000,000)
Cash outflow due to split-off	-	(20,000,000)
Net cash provided by (used in) financing activities	4,639,656	(20,923,086)
Net decrease in cash and cash equivalents	(10,999,470)	(47,319,533)
Cash and cash equivalents at January 1	49,978,584	97,194,090
Effect of exchange rate fluctuations on cash held	997	104,027
Cash and cash equivalents at December 31	₩ 38,980,111	49,978,584

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, 2016 and 2015, 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, 2016 and 2015 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 procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 16, 2017

This report is effective as of March 16, 2017, 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, 2016 and 2015

(In thousands of won)

	2016	2015
ASSETS		
Cash and cash equivalents	₩ 95,936,341	119,992,840
Short-term financial instruments	1,800,000	2,140,000
Trade receivables	110,877,104	83,343,532
Other receivables	4,555,789	8,649,894
Other financial assets	1,231,140	1,561,490
Inventories	85,588,550	154,736,753
Other current assets	2,478,270	2,237,967
Current tax assets	59,010	384,585
Total current assets	302,526,204	373,047,061
Long-term financial instruments	153,500	33,500
Other receivables	6,920,372	5,619,960
Other financial assets	25,408,344	41,900,928
Investments in subsidiaries	674,507,755	330,151,376
Property, plant and equipment	355,187,443	440,834,808
Intangible assets	18,360,918	22,532,146
Investment property	8,345,252	8,854,943
Other non-current assets	215,588	314,857
Deferred tax assets	10,590,143	228,511
Total non-current assets	1,099,689,315	850,471,029
Total assets	₩ 1,402,215,519	1,223,518,090

As of December 31, 2016 and 2015

(In thousands of won)

	2016	2015
LIABILITIES		
Trade payables	₩ 23,119,923	31,221,602
Other payables	61,009,769	81,149,443
Short-term borrowings	332,019,860	390,047,641
Provisions	6,063,170	4,558,800
Other financial liabilities	19,926	39,144
Other current liabilities	9,295,347	12,377,695
Income tax payable	12,509,421	16,132,683
Total current liabilities	444,037,416	535,527,008
Other payables	5,000	915,399
Long-term borrowings	29,275,156	39,722,610
Other financial liabilities	53,829	144,992
Employee benefits	3,571,304	19,862,375
Other non-current liabilities	17,526,628	-
Deferred tax liabilities	31,888,763	24,704,171
Total non-current liabilities	82,320,680	85,349,547
Total liabilities	526,358,096	620,876,555
EQUITY		
Share capital	30,251,565	23,333,955
Share premium	278,587,197	79,800,412
Capital adjustments	(197,914,366)	(200,008,466)
Other equity components	143,710,512	138,964,976
Retained earnings	621,222,515	479,510,149
Equity attributable to owners of the Company	875,857,423	521,601,026
Non-controlling interests	-	81,040,509
Total equity	875,857,423	602,641,535
Total liabilities and equity	₩ 1,402,215,519	1,223,518,090

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

(In thousands of won)

	2016	2015
Operating revenue	₩ 726,165,504	704,734,520
Finished goods & Merchandise	528,464,133	535,411,604
Transport & Delivery	151,062,713	132,558,398
Commissions	29,328,767	23,089,257
Others	17,309,891	13,675,260
Operating expense	650,166,842	640,375,083
Finished goods & Merchandise	266,884,784	287,792,881
Transport & Delivery	154,301,214	136,896,912
Commissions	5,945,385	4,858,944
Others	15,719,371	8,388,878
Salaries	64,479,044	57,414,226
Retirement benefits	5,730,048	6,010,882
Employee benefits	7,033,438	5,936,982
Other selling, general and administrative expenses	101,401,606	95,858,475
Research and development costs	28,671,952	37,216,902
Results from operating activities	75,998,662	64,359,437
Other income	105,259,157	49,998,731
Other expenses	(2,322,638)	(16,855,456)
Finance income	21,150,408	6,472,862
Finance costs	(12,624,968)	(17,337,873)
Equity Income on investments	10,305,940	7,441,390
Profit from continuing operations before income tax	197,766,561	94,079,091
Income tax expense	22,076,142	27,464,202
Profit for the year	₩ 175,690,419	66,614,889

For the years ended December 31, 2016 and 2015

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

	2016	2015
Other comprehensive income (loss)		
Items that will not be reclassified to profit (loss):		
Defined benefit plan actuarial losses	₩ (2,004,301)	(4,661,575)
Change in retained earnings – change in equity method accounted investments	(688,658)	2,766,769
Items that are or may be reclassified subsequently to profit (loss):		
Unrealized net change in fair value of available-for-sale financial assets	1,687,059	50,493
Capital adjustment for equity method accounted investment	1,564,748	(7,664,421)
Other comprehensive loss for the year	558,848	(9,508,734)
Total comprehensive income (loss) for the year	176,249,266	57,106,155
Profit attributable to:		
Owners of the Company	149,051,293	47,883,251
Non-controlling interests	26,639,126	18,731,638
Profit for the year	175,690,419	66,614,889
Total comprehensive profit (loss) attributable to:		
Owners of the Company	149,630,964	38,091,466
Non-controlling interests	26,618,303	19,014,689
Total comprehensive profit (loss) for the year	₩ 176,249,267	57,106,155
Earnings per share		
Basic earnings per share (won)	29,311	10,560
Diluted earnings per share (won)	28,037	10,143

Consolidated Statements of Changes in Equity

For the year ended December 31, 2015

(In thousands of won)

	Share capital	Share premium	Capital adjustments	Other equity components	Retained earnings	Non-controlling interests	Total equity
Balance at January 1, 2015	₩ 22,407,955	64,795,698	(200,008,466)	162,250,302	436,279,924	48,753,109	534,478,522
Total comprehensive income for the year:							
Profit for the year	-	-	-	-	47,883,251	18,731,638	66,614,889
Other comprehensive income (loss):							
Change in fair value of available-for-sale financial assets	-	-	-	50,493	-	-	50,493
Capital adjustment for equity method accounted investment	-	-	-	(7,655,480)	-	(8,941)	(7,664,421)
Defined benefit plan actuarial gains (losses)	-	-	-	-	(4,953,566)	291,991	(4,661,575)
Change in retained earnings-change in equity method accounted investments	-	-	-	-	2,766,769	-	2,766,769
Total other comprehensive income (loss)	-	-	-	(7,604,987)	(2,186,797)	283,050	(9,508,734)
Total comprehensive income (loss) for the year	-	-	-	(7,604,987)	45,696,454	19,014,688	57,106,155
Transactions with owners of the Company, recognized directly in equity:							
Dividends	-	-	-	-	(4,481,591)	(870,472)	(5,352,063)
Exercise stock warrants	876,000	14,444,977	-	(486,021)	-	-	14,834,956
Exercise convertible right	50,000	559,737	-	-	-	-	609,737
Change in scope of consolidation	-	-	-	(51,852)	2,015,363	-	1,963,511
Capital transactions with stockholder	-	-	-	(15,142,466)	-	14,143,183	(999,283)
Total transactions with owners	926,000	15,004,714	-	(15,680,339)	(2,466,228)	13,272,711	11,056,858
Balance at December 31, 2015	₩ 23,333,955	79,800,412	(200,008,466)	138,964,976	479,510,150	81,040,508	602,641,535

For the year ended December 31, 2016

(In thousands of won)

	Share capital	Share premium	Capital adjustments	Other equity components	Retained earnings	Non-controlling interests	Total equity
Balance at January 1, 2016	₩ 23,333,955	79,800,412	(200,008,466)	138,964,976	479,510,150	81,040,508	602,641,535
Total comprehensive income for the year:							
Profit for the year	-	-	-	-	149,051,293	26,639,126	175,690,419
Other comprehensive income (loss):							
Change in fair value of available-for-sale financial assets	-	-	-	1,687,059	-	-	1,687,059
Capital adjustment for equity method accounted investment	-	-	-	1,564,748	-	-	1,564,748
Defined benefit plan actuarial gains (losses)	-	-	-	-	(1,983,479)	(20,823)	(2,004,302)
Change in retained earnings-change in equity method accounted investments	-	-	-	-	(688,658)	-	(688,658)
Total other comprehensive income (loss)	-	-	-	3,251,807	(2,672,137)	(20,823)	558,847
Total comprehensive income (loss) for the year	-	-	-	3,251,807	146,379,156	26,618,303	176,249,266
Transactions with owners of the Company, recognized directly in equity:							
Dividends	-	-	-	-	(4,666,791)	(2,319,323)	(6,986,114)
Disposition of treasury stock	-	-	2,094,100	2,441,925	-	4,829,952	9,365,977
Exercise stock warrants	876,000	14,430,047	-	(486,021)	-	-	14,820,026
Exercise convertible right	986,130	12,502,258	-	-	-	-	13,488,388
Investment in kind	5,055,480	171,854,480	-	-	-	132,233,037	309,142,997
Change in scope of consolidation	-	-	-	(345,328)	-	(255,564,015)	(255,909,343)
Transaction with the non-issuance division	-	-	-	(116,847)	-	13,161,538	13,044,691
Total transactions with owners	6,917,610	198,786,785	2,094,100	1,493,729	(4,666,791)	(107,658,811)	96,966,622
Balance at December 31, 2016	₩ 30,251,565	278,587,197	(197,914,366)	143,710,512	621,222,515	-	875,857,423

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(In thousands of won)

	2016	2015
Cash flows from operation activities		
Profit for the year	₩ 175,690,419	66,614,889
Adjustments	(62,638,966)	40,634,793
Changes in assets and liabilities	(62,976,578)	(15,982,710)
Dividends received	333,324	359,288
Income taxes paid	(19,932,041)	(10,689,453)
Net cash provided by operating activities	30,476,158	80,936,807
Cash flows from investing activities		
Interest received	1,507,709	2,889,138
Decrease in short-term financial instruments	1,340,000	2,110,000
Decrease in short-term loans	1,010,897	116,642
Proceeds from sale of held-to-maturity investments	10,394	17,080
Proceeds from sale of available-for-sale financial assets	36,823,912	29,864,811
Proceeds from sale of investments in joint ventures	104,000	38,694,754
Proceeds from sale of investments in associates	-	22,343,610
Proceeds from sale of property, plant and equipment	3,157,380	435,431
Proceeds from sale of intangible asset	180,000	98,215
Proceeds from sale of investment property	38,114	26,924
Decrease in long-term financial instruments	-	364,000
Decrease in deposits	2,018,271	1,146,842
Increase in short-term financial instruments	(1,000,000)	(2,140,000)
Increase in short-term loans	(282,081)	(611,390)
Increase in long-term financial instruments	(120,000)	-
Acquisition of held-to-maturity financial assets	(16,539)	(26,830)
Acquisition of available-for-sale financial assets	(1,000,315)	(10,520,551)
Acquisition of property, plant and equipment	(64,543,986)	(96,877,756)
Acquisition of intangible assets	(431,015)	(14,395,028)
Acquisition of investments in associates	-	(47,249,050)
Acquisition of investments in joint venture	(20,400,000)	-
Increase in deposits	(2,633,757)	(7,452,659)
Cash outflow due to change in scope of consolidation	(22,666,957)	(257,885)
Acquisition of business	(28,280)	(25,500,000)
Net cash used in investing activities	₩ (66,932,253)	(106,923,702)

For the years ended December 31, 2016 and 2015

(In thousands of won)

	2016	2015
Cash flows from financing activities		
Proceeds from short-term borrowings	₩ 100,112,053	141,748,105
Proceeds from long-term borrowings	15,300,000	35,940,000
Proceeds from rental deposits received	-	62,740
Issuance of new stock	14,820,026	14,833,673
Disposal of treasury shares	4,615,895	-
Interest paid	(9,462,168)	(8,288,229)
Dividends paid	(6,986,114)	(5,352,063)
Repayment of short-term borrowings	(55,885,000)	(62,121,750)
Repayment of current portion of long-term borrowings	(47,793,297)	(47,913,190)
Repayment of long-term borrowings	-	(8,019,500)
Repayment of current portion of bonds	-	(3,500,000)
Decrease in current portion of rental deposits received	(2,241,876)	-
Cash outflow due to split-off	-	(20,000,000)
Capital transactions with stockholder	-	(400,791)
Decrease in convertible redeemable preferred stocks	-	(25,885,200)
Net cash provided by (used in) financing activities	12,480,519	11,103,795
Net increase (decrease) in cash and cash equivalents	(23,975,576)	(14,883,100)
Cash and cash equivalents at January 1	119,992,840	134,820,810
Effect of exchange rate fluctuations on cash held	(80,923)	55,130
Cash and cash equivalents at end of year	₩ 95,936,341	119,992,840



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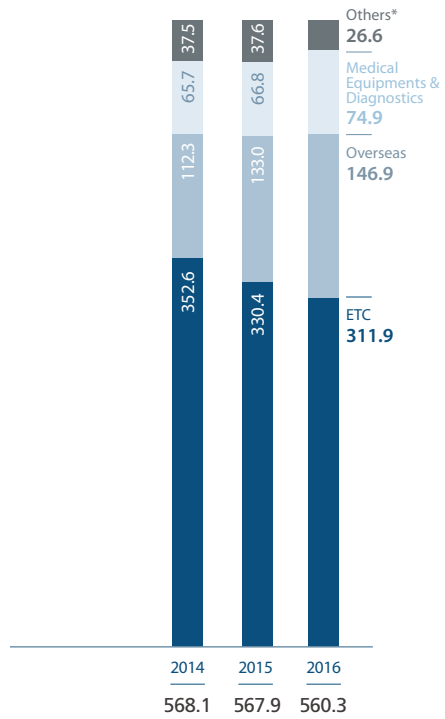
Dong-A ST

Dong-A ST aims to be a global healthcare company whose primary purpose is to help people live better lives through innovative medicines. That is why innovation is a fundamental requirement and a driving force for Dong-A ST. In 2016, the company accelerated its pace of innovation by investing in R&D, while expanding its presence in the global market.

Sales by Business

(Unit: KRW billion)

560.3



* Others include milestone fees, royalty income and rental income



Everyone at Dong-A ST works together in order to achieve its goal of becoming a 'global pharmaceutical company that is respected for R&D efforts focused on innovative new drugs'.

Business Review

KEY FIGURES

(Unit: KRW billion)

Total Assets	1,066.5
Sales	560.3
Operating Profit	15.2
Operating Profit Margin	2.7%

* As of December 31, 2016; Separate figures

Dong-A ST is one of major entities of Dong-A Socio Group created as a result of an equity spin-off from the former Dong-A Pharmaceutical. Its business areas are ethical (ETC) drugs, overseas business, and medical equipment and diagnostics. The newly established holding company structure is enabling Dong-A ST to become a global pharmaceutical company, thanks to strengthened management systems, greater expertise and improved R&D capabilities. As of the end of 2016, the company has developed five in-house original drugs, the most among pharmaceutical companies in Korea. The company makes intensive efforts to develop global new drugs based on an optimal research infrastructure, including world-leading, cutting-edge laboratories and highly skilled researchers. In addition, Dong-A ST is focusing on expanding into overseas markets and increasing exports, led by its Global Business Headquarter.

Business Performance

According to its separate financial statements, Dong-A ST recorded sales of KRW 560.3 billion in 2016, down 1.3% over the previous year. Operating profits went down 72.1% year-on-year to stand at KRW 15.2 billion, as decrease in ETC drug sales forced up the ratio of cost, and R&D expenses rose due to on-going global clinical trials.

Sales of the ETC Unit reported KRW 311.9 billion, a year-on-year decrease of 5.6%, mainly attributable to a price cut for Stillen®, the company's main product and first in-house developed original drug, due to the expiry of its patent. The co-promotion agreement with GlaxoSmithKline (GSK) came to an end, and reorganization aimed at building an advanced sales system also affected sales. Dong-A ST, however, strengthened its product portfolio by launching new products, such as Stillen® 2X, an incrementally modified drug (IMD) of Stillen®, and Suganon®, the company's fifth original in-house developed drug. The company also released Sugamet®, a combination drug comprised of Suganon® and Metformin. Moreover, Teribone®, a licensed-in original drug for an osteoporosis treatment, was debuted in Korea, and a license-in agreement was signed for the domestic distribution of Jublia®, a topical onychomycosis treatment.

The Overseas Unit continued its growth in 2016, with 10.4% growth in sales to KRW 146.9 billion. Sales of anti-tuberculosis drugs decreased slightly, but sales of bio-pharmaceuticals rose 30.1%, mainly in Brazil and Turkey. Sales of Bacchus® grew by 22.1% year-on-year thanks to continued growth in Cambodia and an increasing number of export destinations, including Taiwan and Myanmar.

The Medical Equipments & Diagnostics Unit generated sales of KRW 74.9 billion, up 12.0% over the previous year, due to an improved product line-up, including several new products. The Medical Equipments Unit particularly achieved rapid sales growth of 16.3% in accordance with the expansion in the artificial joint market, while sales at the Diagnostics Unit went up by 7.0%.

Future Plans

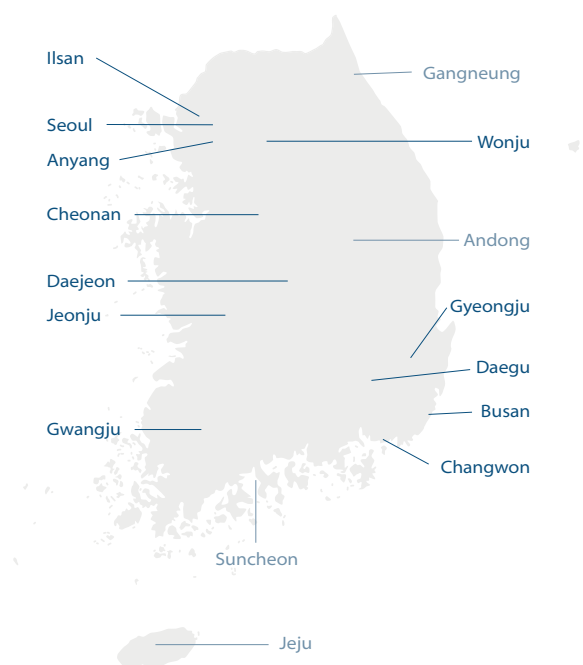
Dong-A ST has set out the 'Vision 2025' to support its goal of becoming a 'global pharmaceutical company that is respected for R&D efforts focused on innovative new drugs'. The first strategic direction in realizing the vision is to develop innovative and successful new drugs for the global market. The company therefore plans to expand its global network by strengthening global R&D, build a stronger pipeline through open innovation, and sharpen its focus on selected key technologies. The second strategy is to build a strong sales platform which earns complete customer trust. Dong-A ST will achieve stable growth by re-establishing domestic sales, and by continually increasing the percentage of exports. Dong-A ST will thus be able to develop distinctive products and services, which will enable the company to build the foundations for its sustainable growth and to play a leading role in realizing the mission of Dong-A Socio Group – "continuous challenge to pursue health and happiness for humanity".

Domestic Business

ETC Unit

hospitals and 10,000 clinics around Korea, supported by the nation's leading pharmaceutical sales system. ETC products in Korea are categorized into in-house developed original drugs, licensed-in original drugs, bio-pharmaceuticals, and generic products. Dong-A ST has the most in-house developed original drugs among Korean pharmaceutical companies, with a portfolio that comprises Stillen®, Zydena®, Motilitone®, Sivextro® Tablet/Injection, and Suganon®. Approximately 500 Medical Representatives (MRs) at 12 branches and four offices across the nation offer the best medical information, enabling Dong-A ST's products to be prescribed in the right place and at the right time.

Domestic Network



Local Sales Organization

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

Sales Office

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

Dong-A ST plays a leading role in pharmaceutical industry through its evidence-based marketing activities. In particular, the company has been conducting clinical trials comparing generic products with their original drugs since 2011, in order to prove the generic products' efficacy and safety, thereby building customer trust. Dong-A ST has also established the Compliance Program (CP) Management Department, one of the largest organizations among Korean pharmaceutical companies, and there are other company-wide efforts being made to strengthen CP. As a result, Dong-A ST received a two year AA rating in the 2015 CP Evaluation Program carried out by the Fair Trade Commission. Dong-A ST will continue to make all necessary efforts to maintain the highest possible CP rating.

Key Achievements

According to IMS Health Data, the Korean pharmaceutical market grew by 6.7% in 2016, to reach around KRW 16,136 billion, with the ETC market seeing year-on-year growth of 7.1%. Despite the government's continued tightening of regulatory policies and changes in the business environment, the Korean pharmaceutical industry is expected to continue its growth due to a westernizing diet trend, an aging population, and greater wealth, all of which have increased expectations for medical services and promoted pharmaceutical R&D.

In 2016, Dong-A ST sought to expand its market dominance by increasing sales of generic products and IMDs launched in 2015 and by focusing on the growth of new products, including an in-house developed original drug. Nevertheless, the ETC Unit recorded a 5.6% decrease in sales compared to the previous year to stand at KRW 311.9 billion, mainly owing to a price cut in Stillen®, the company's main product, after the expiry of its patent. The co-promotion with GSK came to an end, and sharp changes in the business and political environment in Korea and globally also made negative impacts on sales growth.

In the area of in-house developed original drugs, the ETC Unit launched Suganon®, a diabetes treatment of the Dipeptidyl Peptidase-4 (DPP-4) inhibitor class, followed by the release of

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	Suganon®, Sugamet®, Stillen®, Motilitone®, Zydena®
Dalseong Plant	36,379	Bio-pharmaceuticals	Eporon®, Growtropin®, Leucostim®, Gonadopin®

Sugamet®, a combination drug comprised of Suganon® and Metformin. It also launched a gastritis treatment Stillen® 2X, an IMD of Stillen®, Dong-A ST's first in-house developed original drug released in 2002. In addition, Duonon®, a hyperlipidemia treatment, was successfully launched. In licensed-in original drugs, the ETC Unit released Teribone® in Korea, an osteoporosis treatment of Asahi Kasei Pharma in Japan.

Baracle® is a hepatitis B treatment that was released in the second half of 2015, and it now has the highest market share of any generic product of Baraclude®. In the cyclooxygenase-2 (COX-2) inhibitor market, Acelex® had the second highest market share. In the first half of 2016, Dong-A ST signed a licensing-in agreement with Kaken Pharmaceutical of Japan for Jublia®, a topical onychomycosis treatment, and plans to release the product in 2017.

Future Plans

Six new items, including Jublia® and an IMD of Viread®, a hepatitis B treatment will be launched by Dong-A ST in 2017, which will allow the company to generate new revenues. The company has expanded away from its previous focus on drugs for the urinary and digestive systems, and is now moving into next-generation areas such as diabetes, anti-cancer and hepatitis. Dong-A ST will therefore aim to license-in multiple products in these areas to strengthen its product portfolio, and will also seek to establish more strategic alliances with global pharmaceutical companies.

The holding company structure has enabled Dong-A ST to concentrate more on its ETC business. Dong-A ST reorganized the ETC Unit at the end of 2016, and will continue to improve its ETC sales expertise by building a strong sales platform that is trusted by customers in Korea and abroad, as well as through efficient sales operations and effective policy-making.

Medical Equipments & Diagnostics Unit

The Medical Equipments Unit operates in four specialist areas of expertise. In orthopedics, which accounts for the highest percentage of sales, it handles products from ZimmerBiomet, Medipost, and ScienceMedic. In the area of cardiology, it deals with cardiovascular stents from Abbott. There is a specialist team in charge of Microfixation products from ZimmerBiomet and Medtronic, and another medical equipment specialist team handles equipment from ERBE and OMRON, as well as 'Morning Walk', a gait training rehabilitation robot by Hyundai Heavy Industries.

The Diagnostics Unit is in charge of selling diagnostics and testing equipment, as well as reagents. It distributes the products of Becton Dickinson, DiaSorin, Thermo Fisher, Dirui, and Energium. It is expanding its product portfolio to include Sarstedt's high speed closed tube sorter, the Energium's mobile phlebotomy classification & labeling system that is scheduled for release in 2017, and MH Healthcare's infection control product.



Key Achievements

In 2016, the Medical Equipments Unit focused on increasing market share, certifying export products, and promoting new products. For example, it completed the Food and Drug Administration (FDA) and Conformity European (CE) certifications that form the base for exporting ScienceMedic's orthopedic power tool. It also released Morning Walk by Hyundai Heavy Industries. Thanks to balanced growth across its different businesses, the Medical Equipments Unit generated sales of KRW 42.4 billion in 2016, up 16.3% over the previous year.

The Diagnostics Unit strived to achieve stable growth of Becton Dickinson's product and to accelerate the growth trajectory of the Diasorin's top-end, high-priced products. As a result, the Diagnostics Unit recorded sales of KRW 32.5 billion, up 7.0% over the previous year. Towards the end of 2016, in response to increasing concerns about infection control because of recent outbreaks of MERS and the Zika virus, the Diagnostics Unit began sales of an infection control product from MH Healthcare, a company that supplies consumables and equipment for hospital medical care. This will be the foundation for strengthening the Unit's presence in the infection control market.

Future Plans

The Medical Equipments Unit continues to adopt new products in order to strengthen its line-up and increase exports. It is working on China Food & Drug Administration (CFDA) certification to allow ScienceMedic's orthopedic power tool to be exported to China, and is also looking for a US partner in the field of orthopedics and veterinary medicine.

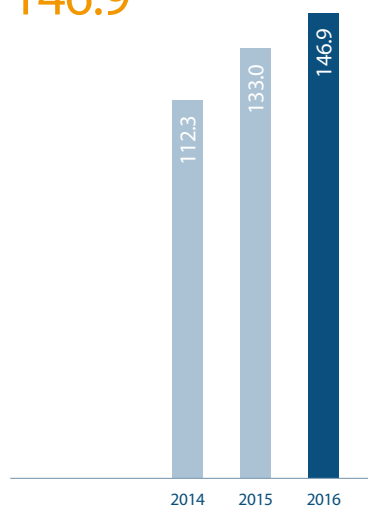
The Diagnostics Unit will continue to actively promote sales of existing products and expand new businesses, including in infection control, which is expected to grow further with medical care benefits starting to be applied to endoscope cleaning and disinfection fees in 2017. The Diagnostics Unit will therefore focus on sales of products in that market.

Overseas Business

Overseas Sales Trend

(Unit: KRW billion)

146.9



Overseas Unit

Dong-A ST's Overseas Unit is in charge of the company's overseas sales. As of the end of 2016, it exports in-house developed original drugs, including Stillen® and Zydena®, and bio-pharmaceuticals, such as Growtropin®, Eporon®, and Leucostim®, to more than 40 countries around the world, across Europe, Latin America, Asia, the Middle East, and Africa. It also exports active pharmaceutical ingredients (APIs), such as Cycloserine, Terizidone, and Atorvastatin, as well as various finished pharmaceutical products, including Closerin®. In addition, Bacchus®, Dong-A's flagship brand, is exported through the Overseas Unit.

In order to grow into a global pharmaceutical company, Dong-A ST is aiming to increase market shares for existing products, expand into new markets, develop globally competitive new drugs, build a global network through strategic alliances with overseas companies, and participate in clinical trials abroad. The company also hires outstanding talent with global abilities on a regular basis, runs the Global Internship and Global Business Institute, and offers comprehensive training systems, such as the Training Road Map.

Major Export Products

Category	Product Name	Indication	Major Export Countries	Sales in 2015	Sales in 2016	Change (%)
Bio-pharmaceutical	Growtropin®	Human growth hormone	Brazil	26.8	35.7	33.2
	Eporon®	Renal anemia treatment	Turkey	4.5	5.8	29.5
APIs	Cycloserine	Tuberculosis treatment	Russia	5.0	6.1	23.5
	Terizidone	Tuberculosis treatment	South Africa	7.1	9.1	28.9
	Atorvastatin	Hyperlipidemia treatment	Japan	3.2	2.5	(21.1)
Finished products and others	Bacchus®	Tonic	Cambodia	51.7	63.2	22.1
	Closerin®	Tuberculosis treatment	Europe	24.1	12.3	(49.1)

Overseas Subsidiaries

- Dong-A America Corp.
(California, U.S)
- Dong-A Participações Ltda.
(Sao Paulo, Brazil)
- Dong-A Brasil Farmaceutica Ltda.
(Sao Paulo, Brazil)
- Indian Office
(Mumbai, India)



Key Achievements

Dong-A ST's Overseas Unit achieved sustained growth in 2016, generating sales of KRW 146.9 billion, a 10.4% year-on-year increase.

Growth in 2016 was mainly led by the excellent performance of bio-products exported to Brazil and Turkey, and Bacchus®, which is exported to Southeast Asia, Latin America, and the Middle East. Sales of bio-products recorded year-on-year growth of 30.1% to stand at KRW 46 billion, and export sales of Bacchus® rose 22.1%, to KRW 63.2 billion. Sales of Bacchus® remained high in Cambodia, and its market presences was expanded to include Myanmar and Guatemala. Bacchus® also successfully entered Taiwan's energy drink market, which contributed to increasing sales in Asia. Morning Care®, a drink to ease the symptoms of a hangover, recorded exports of around 1 million bottles in 2016, and successfully advanced into the Russian market where the company plans to increase relevant marketing practices. Dong-A ST signed a five-year exclusive supply agreement with China's Suzhousino for Terizidone, a tuberculosis treatment API. It also signed a licensing-out agreement with Turkey's Abdi Ibrahim for Motilitone®, the company's third in-house developed original drug, all in efforts to make significant progress in its global expansion.

Dong-A ST is building a global network in order to establish a stronger presence in the global pharmaceutical market. Dong-A ST is reaching strategic alliances with local companies in both developed markets, such as the U.S. and Europe, as well as emerging markets in Asia and Latin America. The company has three overseas subsidiaries and one overseas office – the Brazilian subsidiary, Dong-A Participacoes, and its subsidiary, Dong-A Brasil Farmaceutica are located in Sao Paulo, the US subsidiary, Dong-A America is located in California, and the Indian office is in Mumbai.




Future Plans

In order to generate more synergy in the overseas business, Dong-A ST has created the Global Business Headquarter in 2016, which comprises Global Business Development & Licensing Department' and International Sales Division. Roles and responsibilities have been clearly defined in all key initiatives, including business development, global expertise, and market information and human resources. In addition, more efficient organizational operations have been put in place.




In 2017, Dong-A ST will boost overseas sales growth by expanding markets for existing products and building stronger global network, based on its strengthened roles and responsibilities. In the short term, Dong-A ST will aim to increase sales of Bacchus® and bio-products, and will also advance into new markets for anti-tuberculosis drugs. The mid- to long-term plan is to enter developed markets such as the U.S. and Japan, as well as emerging markets including Indonesia and the Middle East. The company is striving to increase the number of its export destinations, and to this end, it will sign more export contracts, and build a global business network. As part of these efforts, Dong-A ST is expanding its branch network in major overseas markets, and is also establishing more strategic alliances with overseas companies. In addition to increasing sales of existing products, the company will adopt a dual price system and will diversify sources of APIs in order to respond proactively to opportunities in the anti-tuberculosis drug market. Furthermore, Dong-A ST is developing next-generation products, and will actively foster global talent and develop competitive new drugs in order to increase global sales.

Key Products




In-house Developed Original Drugs

<p>Stillen® Tab. Gastritis Treatment</p>		<p>Stillen® was Dong-A ST's first in-house developed original drug, and is a treatment for gastritis with main ingredients of eupatilin and jaceosidin, extracted from the herb Artemisia. Developed in 2002, as a Korea's first independently developed cytoprotectant drug, it has proven its outstanding efficacy and safety and led the Korean cytoprotectant drug market while maintaining the highest market share. Dong-A ST launched Stillen® 2X, an incrementally modified drug (IMD) of Stillen® in 2016, which allows more choices for indications and applications, and will enable Dong-A ST to solidify its leading position in the cytoprotectant drug market.</p>
<p>Zydena® Tab. Erectile Dysfunction Treatment</p>		<p>Zydena® was the first oral erectile dysfunction drug in Korea, and the fourth worldwide. It was developed by Dong-A ST in 2005, and achieved sales in its first year of more than KRW 10 billion. Dong-A ST has been expanding the global presence of Zydena® since its entry into the Russian market in 2008, with a goal to export Zydena® to 19 countries, including the U.S. and China by 2017. It is available in four forms, such as 50 mg, 75 mg, 100 mg and 200 mg, with the dosage controlled based on symptoms. Research on various other indications, including pulmonary arterial hypertension and dementia, is being conducted.</p>
<p>Motilitone® Tab. Functional Dyspepsia Treatment</p>		<p>Motilitone® was the third in-house developed original drug of Dong-A ST. Launched in 2011 as a new phytomedicine, its main ingredients are extracts of corydalin and pharbitis. It is the only functional dyspepsia treatment that offers a triple action – 5-HT4 agonist, D2 antagonist, and 5-HT1 agonist. Motilitone® ranked No. 1 in market share in the Korean functional dyspepsia market in only 19 months after its release.</p>
<p>Sivextro® Tab./Inj. Oxazolidinone Class Antibiotic</p>		<p>Sivextro® is an antibiotic that Dong-A ST has licensed out for development. It received US FDA approval in June 2014, European Medicines Agency (EMA) approval in March 2015, and the approval from Korean Ministry of Food and Drug Safety (MFDS) in 2015. It has demonstrated outstanding efficacy for Acute Bacterial Skin and Skin Structure Infections (ABSSSI) in clinical trials, and also shown an excellent safety record compared to competitor products. A global multi-center phase III clinical trial is under way to verify additional effects for the treatment of pneumonia.</p>
<p>Suganon® Tab. Diabetes Treatment</p>		<p>Suganon® is a type 2 diabetes treatment of the DPP-4 inhibitor class that was developed by Dong-A ST through its in-house capabilities. It was launched in March 2016, followed by the release of Sugamet® SR Tab., a combination drug comprised of Suganon® and Metformin, in May. Taken once a day in tablet form, Suganon® provides blood sugar regulation effects for 24 hours, and can be prescribed safely for it has fewer side effects. There is no need for dose adjustment for renal disorder patients, but careful administration is required for moderate and serious renal disorder patients. Research and development is under way for a combination drug to treat multiple chronic diseases, especially for patients with metabolic syndrome.</p>

Incrementally Modified Drugs

<p>Stillen® 2X Tab. Gastritis Treatment</p>		<p>Dong-A ST used floating technology for Stillen® 2X, an IMD of Stillen®, which extends gastric emptying time to increase the drug retention. This enables Stillen® 2X to offer the same efficacy and effects as the original drug with fewer administrations – twice a day, not the previous three times. Dong-A ST aims to expand its dominance in the cytoprotectant agent market by providing wider treatment options through Stillen® and Stillen® 2X.</p>
<p>Orodipine® Tab. Hypertension Treatment</p>		<p>Orodipine®, a Calcium Channel Blocker (CCB) and an oral hypertension treatment, is an IMD that used amlodipine orotate. As of the end of 2016, it recorded fourth highest sales in the Korean amlodipine market.</p>
<p>Orosartan® Tab. Hypertension Treatment</p>		<p>Launched in 2013, Orosartan® is an IMD of Exforge®. This oral hypertension treatment is a combination drug comprising an Angiotensin II Receptor Blocker (ARB) and a CCB. A phase IV clinical trial was completed for comparison with an ARB/diuretic combination drug, resulting in distinctiveness from competing products.</p>

Biological Products

<p>Growtropin II® Inj. Human Growth Hormone</p>		<p>Growtropin® is a human growth hormone that was developed in-house by Dong-A ST using its state-of-the-art gene recombination technologies. Available in such various forms as liquid form and pen device, it provides greater patient convenience. It has an indication of low height resulting from impaired growth hormone secretion in young children and Idiopathic Short Stature (ISS).</p>
<p>Leucostim® Inj. Neutropenia Treatment</p>		<p>Leucostim® is a neutropenia treatment, the main ingredient of which is filgrastim. It was developed in-house by Dong-A ST, and has been produced and sold since 1999. It is currently prescribed at around 70 general hospitals, at a price that is as much as 49% lower than the market leader, thereby reducing the financial burden of patients.</p>
<p>Dulastin® Inj. Neutropenia Treatment</p>		<p>Dulastin® was Korea's first in-house developed PEG-G-CSF medication, and was launched in 2015. PEG has been combined with Leucostim® for long-lasting medicinal effects. Only one administration per chemotherapy cycle is needed, resulting in increased injection convenience for medical staff and enhanced patient compliance, and the price is 24% cheaper than the previous PEG-G-CSF medication. It passed Drug Committee scrutiny, available to be prescribed at around 40 general hospitals.</p>

Licensed-in Original Drugs		
Acelex® Cap. Ostarthritis Treatment		Acelex® was released in September 2015 as the 22nd new drug in Korea. The main ingredient of this selective cyclooxygenase-2 (COX-2) inhibitor is polmaxcoxib. It accounts for the second highest share of the COX-2 inhibitor market, and is prescribed at approximately 80 general hospitals across the nation.
Flivas® Tab. Benign Prostatic Hyperplasia Treatment		Flivas® is the first alpha-blocker to have high selectivity for the α1d receptor. It is effective against dysuresia symptoms of prostatic hyperplasia. It also has high prostate and urethra selectivity, making it safe with regard to orthostatic hypotension and ejaculation disorder side effects. It is available in various forms, including 25 mg, 50 mg, and 75 mg, with the dosage controlled based on symptoms.
Opalmon® Tab. Lumbar Spinal Stenosis Treatment		Opalmon® is an oral prostaglandin E1 derivative. It was developed by Ono Pharmaceutical of Japan, and has been prescribed for spinal stenosis for more than a decade, while being well received by patients due to its safety with few side effects.
Talion® Tab. Allergic Rhinitis, Urticaria, Pruritus Treatment		Talion® is a second-generation anti-histamine, the main ingredient of which is bepotastine besilate, originally developed by Japan's Mitsubishi Tanabe. It has multiple indications, including allergic rhinitis, hives, and pruritus, which is why it is prescribed by almost all medical departments. It has been maintaining the number one position in the domestic anti-histamine market.
Jublia® Topical Solution Antifungal Drugs, Topical Onychomycosis Treatment		Originally developed by KAKEN of Japan, Jublia® is a topical onychomycosis treatment, first in the triazole class, and its main ingredient is efinaconazole. Offering similar treatment effects as the Itraconazole oral solution, it indicates the highest healing rate among topical agents. This world renowned product has obtained US FDA approval, and ranks first in sales in the onychomycosis treatment market of North America and Japan.
Teribone® Inj. Osteoporosis Treatment		Teribone® hypodermic injection 56.5μg is a PTH medication, originally developed by Asahi Kasei Pharma of Japan. It is an osteoporosis treatment for post-menopausal women, who are at high risk of bone fracture. It received approval from the Korean MFDS in November 2015, and was released in Korea in March 2016.
Generic Drugs		
Baracle® Tab. Hepatitis Treatment		Baracle® is a generic of Baraclude®, a hepatitis B treatment. It uses a high-purity, high-quality API produced by ST Pharm, which manufactures and exports APIs of hepatitis treatments, through strict quality control based on the Quality by Design (QbD). A non-inferiority clinical trial was conducted on naive patients, resulting Baracle® being recognized for its safety and equivalence with the original product.
Lipinon® Tab. Dyslipidemia Treatment		Lipinon® is an anti-hyperlipidemia agent, and its main ingredient is atorvastatin. Launched in 2008, it is Dong-A ST's flagship steady seller. Product quality was proven by running a phase IV non-inferiority clinical trial in Korea, as well as by using outstanding APIs from ST Pharm, an affiliate which supplies APIs to global pharmaceutical companies. It is exported to Japan as an API.
Cresnon® Tab. Dyslipidemia Treatment		Cresnon® is a dyslipidemia treatment, the main ingredient of which is rosuvastatin. Launched in 2014, its efficacy and safety were proven by a phase IV non-inferiority clinical trial in Korea. Dong-A ST plans to develop it into a leading generic product by leveraging its unique strength of using APIs which are internally synthesized by ST Pharm based on a patent for manufacturing the ingredients.
Duonon® Tab. Dyslipidemia Treatment		Duonon®, a dyslipidemia treatment with combined ingredients of rosuvastatin and ezetimibe, was released in 2016. Dong-A ST plans to expand its market presence by adding new products in its dyslipidemia treatment product portfolio, in consideration of market trends where there are growing needs for combination therapies.
Togenon® Tab. Treatment for Hyperlipidemia and Hypertension		Togenon® is a treatment for patients suffering from both hyperlipidemia and hypertension. Its combined ingredients are rosuvastatin and candesartan. Offered in a small form, it simultaneously treats hyperlipidemia and hypertension to prevent cardiovascular diseases. It is planned to be released in June 2017.
Plavitor® Tab. Platelet Aggregation Inhibitor		Plavitor® was the first generic product introduced to the market of platelet aggregation inhibitors. It selectively inhibits ADP(Adenosine Diphosphate)-induced platelet aggregation, and also blocks ADP-mediated amplification mechanism, resulting in strong inhibition of platelet aggregation.
Monotaxel® Inj. Cancer Treatment		Released in June 2010, Monotaxel® is an anti-cancer treatment, the main ingredient of which is docetaxel. It has multiple indications, including breast cancer, non-small cell lung cancer, prostate cancer, ovarian cancer, head and neck cancer, gastric cancer, and esophageal cancer. In the overall docetaxel market worth around KRW 33.7 billion, it has a market share of approximately 24%, which is the highest after its original drug, Taxotere®.



Dong-A ST has been expanding its presence in the global market and continuing investments into research & development, in order to become a global leader in developing highly innovative medicines.

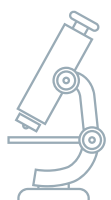
R&D Personnel
(Unit: Person)

242

2015

255

2016



Research & Development

Dong-A ST Research Center

The Dong-A ST Research Center has enabled Dong-A ST to grow into an R&D leader in Korea with the most in-house developed original drugs among Korean pharmaceutical companies. The Center also plays an important role in furthering the success of Dong-A ST as a global pharmaceutical company.

Since the founding of its research center in 1977, Dong-A ST has made bold investments and focused on research in order to develop new drugs. As a result, the company successfully released its first in-house developed original drug Stillen®, a gastritis treatment, in 2002, which was followed by the launch of Zyderna®, the first erectile dysfunction treatment in Korea, in 2005; and Motilitone®, a functional dyspepsia treatment, in 2011. Sivextro® is an oxazolidinone class antibiotic which Dong-A ST has licensed out for development to the global market in 2007. It was successfully launched in the US in 2014 and Europe a year later, and received New Drug Application (NDA) approval in Korea in 2015. Suganon®, a diabetes treatment which has been partnered for 57 countries and launched in Korea in 2016, was also added to Dong-A ST's list of in-house developed original drugs, thus proving R&D expertise and innovation strength of Dong-A ST once again.

In order to improve operational efficiency in R&D and to concentrate the company's research capabilities, the Innovative Drug Discovery Research Laboratories, previously part of the Research Center of Dong-A Socio Holdings, was repositioned to the Dong-A ST Research Center in 2016. The addition of the Innovative Drug Discovery Research Laboratories, which develops first-in-class medicines for cancer and dementia, is expected to generate synergies with the existing laboratories in the field of new chemical entities. With the improved research organizational structure, all three laboratories are now striving to achieve their common goal of developing global new drugs.

Key Achievements

Dong-A ST achieved great deals in Korea and abroad in 2016, including the signing of two license agreements with global pharmaceutical companies. Of particular note, Dong-A ST licensed out its cancer immunotherapy pipeline, which was being developed in-house, to AbbVie Biotechnology in December 2016. Cancer immunotherapy has gained international recognition in cancer treatment research, and the signing of the license agreement with a global pharmaceutical company is opening up new prospects in new drug development based on the pipeline item licensed out by Dong-A ST.

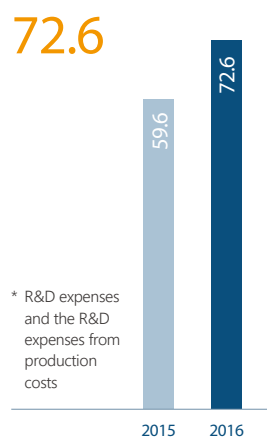
Dong-A ST Research Center Organization



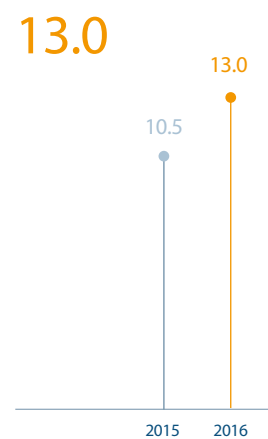
Suganon® (DA-1229, Evogliptin), an in-house developed dipeptidyl eptidase-4 (DPP-4) inhibitor-class diabetes treatment, was successfully launched in Korea in early 2016. It was also licensed out to US-based Tobira Therapeutics for all indications in April and Tobira focuses on developing Evogliptin as a standalone and for a combination drug with CVC (cenicriviroc) for treatment of non-alcoholic steatohepatitis (NASH). Tobira Therapeutics is specialized in the research on NASH treatment, and was acquired by Allergan, a multinational pharmaceutical company, in November after Allergan made a positive assessment of the value of Tobira Therapeutics' NASH-related pipeline

Global development is also progressing well on other R&D pipeline items. In the area of new chemical entities, clinical trials are under way in Europe for DA-8010, an overactive bladders treatment, and in the U.S. for DA-1241, a new mechanism-based diabetes treatment. A phase II clinical trial has been successfully completed in the US for DA-9801, a new botanical drug for diabetic neuropathy, and preparations are now being made for the next clinical trials and entry into global markets. Preparatory work for global clinical trials of DA-9803 and DA-9805, treatment for Alzheimer's disease and Parkinson's disease, respectively, is also under way. In the second half of 2016, a phase III clinical trial began in Japan for DA-3880, a biosimilar of Aranesp®, a second-generation biomedicine for erythropoietin. Dong-A ST licensed out DA-3880 to Sanwa Kagaku Kenkyusho of Japan in 2014 for the territory of Japan.

R&D Investment*
(Unit: KRW billion)



R&D Investment per Sales
(Unit: %)



* R&D expenses and the R&D expenses from production costs

The Pharmaceutical Product Research Laboratories undertakes research into developing treatments for diverse diseases through the use of the latest formulation technology. In 2016, it developed Stillen[®] 2x and the Sugamet[®], two products that make administering Stillen[®] and Suganon[®] respectively, more convenient by leveraging its outstanding formulation technology that has been accumulated through many years of R&D; and then successfully launched them in Korea.

In addition to the research conducted internally, the Dong-A ST Research Center collaborates with other companies and laboratories via open innovation, in order to strengthen its pipeline and platform technologies. In 2016, it made a collaboration agreement with Beactica of Sweden to develop new cancer treatments based on epigenetics.

Future Plans

The Dong-A ST Research Center will increasingly concentrate on new global drug projects that will lead to major licensing-out agreements with global pharmaceutical companies. It will therefore analyze global market conditions and its needs, in order to select the project with strong potential for licensing-out. The Center particularly puts its efforts on research into anti-cancer, antibiotic, and the metabolic and endocrine systems, and is aiming at developing new chemical entities that meet global standards. Considering that there is a high level of unmet needs in the treatment of rare disease areas where relatively fewer restrictions are required, the Dong-A ST Research Center plans to identify new projects in this field through open innovation with outside academia or biotech venture companies abroad.

Dong-A ST will secure growth drivers through major licensing-out agreements over the next five years, and will pursue development of global drugs with our own brand. To this end, the company will further widen its global network, increase the adoption of new technologies and expand joint development, thus generating synergy with its own competitive edge.



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[®], Korea's first ever first-generation AIDS diagnostic reagent

Constructed the industry's first Korea Good Laboratory Practice (KGLP)-compliant research center in Sanggal, Gyeonggi, Korea

1991

Received the IR52 Jang Young Shil Award for AIDS[®]

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[®], 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

2016

**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[®]

2011

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

2012

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

Licensed out Monotaxel[®], an Incrementally Modified Drug (IMD) 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 Joint Center for Biosciences (JCB) Research Institute of the US on the AB-204, Bone Morphogenetic Protein (BMP)

Established a Korea's first dementia research center

2014

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

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

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

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

2015

Obtained European Commission (EC) approval and launched Sivextro[®] in European countries

Licensed out DA-1229 (Evogliptin) to Eurofarma Laboratórios of Brazil for 17 countries in Latin America

Licensed out DA-1229 (Evogliptin) to GEROPHARM of Russia for the Russian, Ukrainian and Kazakhstan markets

Released Dulastin[®], DA-3031 (PEG-G-CSF), a long-acting bio-pharmaceutical drug for neutropenia

2016

Released Stillen[®] 2X, an Incrementally Modified Drug (IMD) of Stillen[®]

Released Suganon[®] (DA-1229/ Evogliptin) and Sugamet[®] XR (its combination product with Metformin), Dong-A's fifth in-house developed original drug and a type 2 diabetes treatment

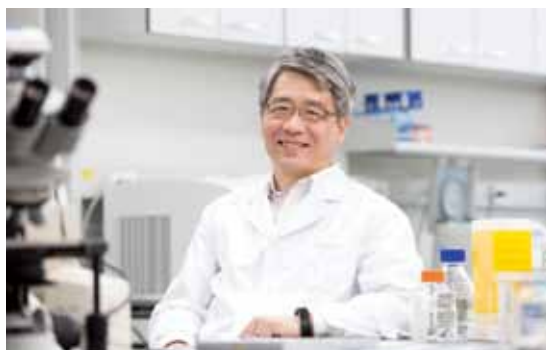
Licensed out DA-1229 (Evogliptin) to Tobira Therapeutics (currently Allergan) of the US for the development of Evogliptin mainly as a treatment of non-alcoholic steatohepatitis (NASH) for the territory of the US, Canada, Europe and Australia

Made a collaboration agreement with Beactica of Sweden to develop new cancer treatments

Licensed out DA-4501, a cancer immunotherapy pipeline, MerTK inhibitor, to AbbVie Biotechnology for the worldwide territory except Korea

R&D Highlights

DA-4501



Tae-Young Yoon

Head of Research Center, Dong-A ST



‘First-in-class’ drug discovery is a process by which novel scientific concepts are translated into innovative medicines.

The process consists largely of identifying the right ‘tool compound’ that can be used to interrogate the validity and potential pitfalls of the concept in the lab, and then actually going about proving the concept through clinical trials. Our MerTK program was hotly sought after at the tool compound stage, culminating in the sizable global licensing deal with AbbVie. Global pharmaceutical companies are constantly on the lookout for such a first-in-class, innovative asset because of the huge competitive advantage it brings in, which overrides the relatively higher risk of failure at the clinical stage. Therefore, it’s not really surprising that we were able to secure an early stage licensing deal, given the quality of science that manifested in our research demonstrating the promise of MerTK hypothesis.

It’s a turning point for Dong-A ST, which has been customarily engaged in ‘best-in-class’, ‘fast-follower’ programs, following the footsteps of a frontrunner on already verified biological hypothesis. Dong-A ST R&D intends to gradually transform itself into a world class, first-mover discovery engine that focuses on innovation, especially in oncology and neurodegenerative disease area. Toward that end, we are striving to build an organizational culture that encourages exploring unknowns and challenging status quo. Already known to house the best industry talents in Korea in terms of the skill set and collective knowledge, unleashing the creative power of its scientists will certainly expedite establishing Dong-A ST as one of the prominent players in the global pharmaceutical industry landscape.

New possibilities for MerTK inhibitor for cancer immunotherapy

DA-4501 is a first-in-class drug discovery program aiming at developing a small molecule drug that inhibits MER tyrosine kinase (MerTK). In December 2016, Dong-A ST and AbbVie Biotechnology entered into a research collaboration, one of the biggest deals in the history of Korea’s pharmaceutical industry, giving AbbVie the license to use Dong-A ST’s DA-4501 MerTK inhibitors.

MerTK is a member of TAM (Tyr03, Axl, and MerTK) family receptor tyrosine kinases. Most prominently expressed in subsets of myeloid cells such as macrophages and dendritic cells, MerTK is best known to drive tolerogenic clearance of apoptotic cells. Thus, when cells die via apoptosis, a form of natural, programmed cell death, MerTK on the innate immune cells recognizes the dying cells and silently clears them so that aberrant immune response cannot take place against the ‘self’, which could lead to autoimmunity. In the tumor microenvironment, however, such immunosuppressive clearance of dying tumor cells is believed to severely hinder anti-tumor immune responses (‘innate immune checkpoint’). In other words, inhibition of MerTK is anticipated to expose dying tumor cells to immune surveillance and thereby increase the chance of triggering host immunity against cancer cells.

Based on the above therapeutic hypothesis, Dong-A has launched a MerTK inhibitor program in 2013. From the outset, the biggest challenge was attaining a high level of kinase selectivity. There are over 500 different kinases in the body and most, if not all, known kinase inhibitors attenuate the activities of multiple unintended target proteins. Unlike directly targeting cancer cells for growth inhibition, host immune cells carry out complex functions in a delicate balance and therefore their kinase activities need to be modulated in a precise manner. Fortunately, Dong-A scientists have been able to come up with a series of MerTK inhibitors with unprecedented specificity. For example, in an enzyme panel assay of 385 kinases, none other than MerTK was appreciably inhibited by SA2110 (XL1547) at the concentration 100-fold of its inhibition concentration 50 (IC50). Ensuing optimization gave rise to SA3686 with a much improved potency and oral bioavailability. SA3686 was tested in a number of in vitro as well as in vivo studies to prove that specific MerTK inhibition did reverse the tolerogenic effect of apoptotic cells, which resulted in strengthening of an anti-tumor immune response.

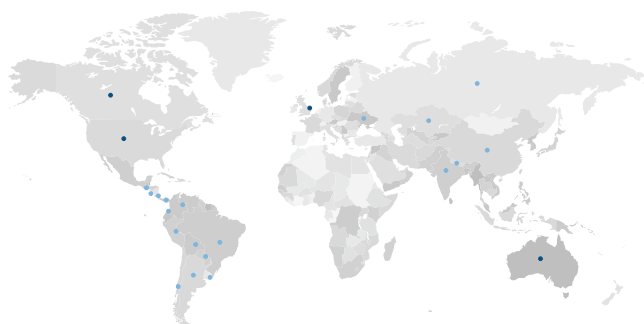
In partnership with AbbVie, Dong-A ST will continue to engage in advancing the MerTK program into the clinical development. Upon successful selection of clinical candidate(s), AbbVie will be responsible for regulatory filings and clinical development.

- References**
- Yoon, T, et al., “Discovery of exquisitely selective MERTK inhibitors,” AACR-NCI-EORTC International Conference on Molecular Targets and Cancer Therapeutics (2015)
 - Cukier-Meisner, E., “MER-MADE,” BioCentury (2017)

Suganon[®], Sugamet[®] XR (DA-1229, Evogliptin)

Successful debut in Korea and overseas for Dong-A's fifth in-house developed original drug

Suganon[®] (Evogliptin) is our fifth in-house developed original drug to receive New Drug Application (NDA) approval in Korea. Suganon[®] is an oral hypoglycemic agent with a dipeptidyl peptidase-4 (DPP-4) inhibitory mechanism; its main API is Evogliptin, meaning 'evolved gliptin', which is widely recognized as being safe and effective. This project was initiated in 2005, and after two years spent in choosing an outstanding substance, Evogliptin was selected as the candidate substance in 2007, and preclinical programs were begun. In 2008, the project was nominated by the Ministry of Health and Welfare as an innovative new drug research project; it therefore received support from the Ministry for two years, beginning in May 2008, and clinical development began in 2010. After the successful completion of clinical studies, Evogliptin monotablet (Suganon[®]) and its combination product with metformin (Sugamet[®] XR) were launched in Korea in March and May 2016, respectively.



Status of License-out

For type 2 diabetes

- **China** Luye Pharma Group
- **India** Alkem Laboratories (India, Nepal)
- **Brazil** Eurofarma Laboratórios (Brazil, Mexico, Argentina, Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela)
- **Russia** Geropharm (Russia, Ukraine, Kazakhstan)

For NASH

- **Ireland** Allergan (USA, EU, Canada, Australia)

Excellence and growth potential of Evogliptin

The strengths of Evogliptin come from its high potency and selectivity, and the convenience of its administration. Because of its high potency, even a 5 mg tablet has therapeutic efficacy. It also has outstanding selectivity for DPP-4, which results in safe long-term administration. In addition, Evogliptin has limited impact on the absorption, metabolism, and excretion of other drugs, which is a major benefit for diabetes patients who are frequently exposed to polypharmacy. Another benefit is for the many diabetes patients who suffer from renal disorder – Evogliptin's renal protection effects in animal studies and the fact that there is no need to adjust doses for patients with renal insufficiency are beneficial for diabetic patients with renal diseases.

Evogliptin in partnership, and the potential for a new NASH treatment

Evogliptin was licensed out overseas starting from the phase II clinical stage, thanks to its strengths and excellence, and it is currently licensed out to more than 50 countries. In 2012, Dong-A ST signed a licensing-out agreement with China's Luye Pharma Group for the Chinese market and with India's Alkem Laboratories for India and Nepal. In 2014, the company signed a licensing-out agreement for the Brazilian market with Brazil's Eurofarma Laboratórios, after which an additional agreement for the territory of 17 Latin American countries, including Mexico, was signed in 2015. In 2015, Evogliptin was also licensed-out to Russia's Geropharm LLC for three markets – Russia, Ukraine, and Kazakhstan.

In April 2016, the company signed a global licensing-out agreement with US-based Tobira Therapeutics, currently Allergan, for the development of Evogliptin as a treatment mainly for non-alcoholic steatohepatitis (NASH). Tobira then began a US phase I combination study of Evogliptin and Cenicriviroc in September 2016. Evogliptin has high affinity to liver tissue and improved hepatic steatosis in the non-alcoholic fatty liver disease (NAFLD) animal model, and is therefore expected to show synergistic effects for NASH treatment in combination with Cenicriviroc, which has anti-fibrotic activity. Allergan acquired Tobira in November 2016, and is now developing and marketing Evogliptin both as a single agent and as a combination treatment with Cenicriviroc for the treatment of NASH for the US, Europe, Canada and Australia.



Sivextro® (DA-7218, Tedizolid)

Development Stage by Region

Korea

New drug approval in April 2015



Europe

Sales begun by Merck (MSD) in 2nd quarter 2015; Launched in approximately 20 European countries including the major countries



US

Sales begun by Cubist, currently Merck (MSD) in June 2014



Rest of World

(All global territories excluding Korea, North America, and Europe)

Launched in Singapore, Russia, Mexico and Malaysia by Bayer, a sub-licensee; a phase III clinical trial completed by Bayer in China and Japan, respectively

The result of outstanding R&D, long-term investments and global partnerships

Sivextro® is an oxazolidinone class antibiotic developed by Dong-A ST and licensed-out to US-based Trius Therapeutics, currently Merck (MSD). After being launched in the US in 2014, Sivextro® received Marketing Authorization Application approval from the European Commission in March 2015 and is now being marketed across Europe, beginning with the UK in the 2nd quarter of 2015.

Sivextro® was developed for the treatment of Acute Bacterial Skin and Skin Structure Infections (ABSSSI) caused by gram-positive bacteria, including resistant bacteria such as Methicillin-resistant Staphylococcus Aureus (MRSA). It inhibits the protein synthesis of bacteria, and is available in both oral and IV injection dosage forms. Because it is efficacious with just a short, 6-day course of treatment, its administration is convenient and it can also help patients with cost savings.

Dong-A ST began pre-clinical studies of Sivextro® in 2004, and was supported in those pre-clinical studies by the Ministry of Health and Welfare. The pre-clinical studies were completed in 2006, and the licensing-out agreement with Trius Therapeutics was signed in 2007 for all global territories, excluding Korea. Trius thereafter carried out US and global clinical trials, obtained US FDA NDA approval, and launched Sivextro® in the US in June 2014. Sivextro® was just the second new drug developed by a Korean pharmaceutical company, and the first in-house developed original drug from Dong-A, to receive US NDA FDA approval.

Merck acquired Trius in January 2015, and is now in charge of Sivextro® sales in North American and European markets. As the original developer, Dong-A ST retains the right to the Korean market. In 2011, Trius sub-licensed the rights to Sivextro® in Asia, Latin America, Africa, and other territories to Bayer, which has since begun sales in regions including Singapore, Russia, and Mexico, and has also completed phase III clinical trial in China and Japan, respectively.

Sivextro® is currently indicated for the treatment of ABSSSI. In addition, a global phase III clinical trial of Sivextro® is on-going for Hospital-Acquired/Ventilator-Associated Bacterial Pneumonia (HABP/VABP) for indication extension.



R&D Pipeline

Code Name (Brand Name)	Description	Indication	Development Stage	Licensing Availability
New Chemical Entity				
DA-7218 (Sivextro®)	Oxazolidinone class antibiotic	Infection (ABSSSI, Acute Bacterial Skin and Skin Structure Infections)	Launched (USA, EU)	
		Pneumonia (Hospital-Acquired/Ventilator-Associated Bacterial Pneumonia)	Ph III (Global)	
DA-1229 (Suganon®/ Sugamet® XR)	DPP(Dipeptidyl Peptidase)-4 inhibitor	Type 2 diabetes	Launched (Korea)	Available for some territories
		NASH (Non-alcoholic Steatohepatitis)	Ph I (USA)	
DA-6886	5-HT (Hydroxytryptamine) 4 agonist	Irritable bowel syndrome-constipation	Ph I completed (Korea)	Available
DA-8010	M ₃ receptor antagonist	Overactive bladder	Ph I (EU)	Available
DA-1241	GPR119 agonist	Type 2 diabetes	IND for Ph I submitted (USA)	Available
DA-4501	Novel IO target	Cancers, etc.	Drug discovery	
Botanical Drug				
DA-9701 (Motilitone®)	Herbal extract	Functional dyspepsia	Launched (Korea) Ph II (USA)	Available
DA-9801	Herbal extract	Diabetic neuropathy	Ph II completed (USA)	Available
DA-9803	Herbal extract	Alzheimer's disease	Non-clinical (Korea)	Available
DA-9805	Herbal extract	Parkinson's disease	Preparing for Ph II (USA)	Available
Biopharmaceutical Product				
DA-3801 (Gonadopin®)	Recombinant FSH (Follicle Stimulating Hormone)	COH (Controlled Ovarian Hyper-stimulation) in ART	Launched (Korea)	Available for some territories
		Ovulation induction in anovulatory women	Launched (Korea)	
DA-3031 (Dulastin®)	PEG-G-CSF (Pegylated-Granulocyte-Colony Stimulating Factor)	Neutropenia	Launched (Korea)	Available
DMB-3111	Trastuzumab biosimilar	Breast cancer	Ph I completed (Japan)	Available except Korea, Japan, EU, Russia, CIS and Latin America
DA-3880	Darbepoetin α biosimilar	Anemia	Ph I completed (EU) Ph III (Japan)	Available except Korea and Japan
DA-3131	New anti-VEGF mAb	Age-related macular degeneration	Non-clinical (Korea)	Available
DMB-3115	Ustekinumab biosimilar	Psoriasis	Non-clinical planned (UK)	Available except Korea and Japan

Key Pipeline Items

[\[DA-7218, Tedizolid; Sivextro®\]](#)

Tedizolid is a second generation oxazolidinone class antibiotic developed for both intravenous and oral administration to treat serious gram-positive infections, including those caused by Methicillin-Resistant Staphylococcus Aureus (MRSA). In 2007, Dong-A ST licensed-out Tedizolid to US-based Trius Therapeutics (acquired by Cubist, in turn acquired by MSD) for all territories except Korea. Since then, Trius has developed Tedizolid from phase I to phase III clinical trials for the indication of Acute Bacterial Skin and Skin Structure Infections (ABSSSI); these trials have demonstrated that Tedizolid, with shorter course of therapy, was statistically non-inferior to the same class market competitor in the primary and secondary efficacy endpoints. Tedizolid also showed a better safety profile than its competitor, and is expected to improve patient compliance, as it only has to be taken once daily. Cubist/Merck launched Tedizolid under the brand name Sivextro® following an NDA approval from the US FDA in June 2014. In addition, marketing authorization for Sivextro® was granted by the European Medicines Agency (EMA) in the 1st half of 2015, so Sivextro® has been marketed in Europe, starting in the UK. There is also an on-going global phase III study for hospital-acquired/ventilator-associated bacterial pneumonia (HABP/VABP).

[\[DA-1229, Evogliptin; Suginon®/Sugamet® XR\]](#)

Evogliptin is an anti-diabetic compound of the Dipeptidyl Peptidase-4 (DPP-4) inhibitor class, with high selectivity for DPP-4. A phase I clinical trial of 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 levels compared to a placebo. In phase III studies, Evogliptin 5mg showed superiority over the placebo, and non-inferiority to Sitagliptin. In addition, Evogliptin does not need dose adjustment in patients with renal impairment and showed a renal protective effect in animal studies, which would be beneficial to diabetic patients with renal disease. Suginon® (Evogliptin mononotablet) and Sugamet® XR (a fixed-dose combination tablet of Evogliptin and an extended release form of Metformin) were launched in Korea in 2016.

For the global markets, with strong points of Evogliptin, Dong-A signed licensing-out agreements with Luye Pharma Group for China, Alkem Laboratories for India and Nepal, respectively, in 2012. Dong-A also made a license-out agreement with Eurofarma Laboratórios for the territory of Brazil in 2014 and signed an additional license-out agreement for 17 countries in Latin America in 2015. Also, Evogliptin was licensed to Geropharm for the Russian and other CIS markets (Ukraine, Kazakhstan) in 2015.

In April 2016, Evogliptin was licensed-out to US-based Tobira Therapeutics, currently Allergan, which will develop and market Evogliptin in the USA, Europe, Canada and Australia as a single agent and as a combination treatment with Cenicriviroc (CVC) mainly for the treatment of patients with non-alcoholic steatohepatitis (NASH).

[\[DA-9801\]](#)

DA-9801 is a botanical drug, a mixture of Dioscorea Rhizome and Dioscoreae Nipponicae Rhizoma in tablet form, for pain associated with diabetic neuropathy. Its main mechanism is considered to lift levels of Nerve Growth Factor (NGF) back to normal, which leads to nerve regeneration. DA-9801's efficacy in pain reduction and nerve regeneration has been confirmed in various non-clinical animal disease models.

A 12-week Phase II study in the US was completed successfully. DA-9801 300 mg and 600 mg groups showed a statistically significant reduction of more than 2 points in mean pain scores at Week 12, in comparison to their respective baseline scores. In addition, improvements of 50% or more were achieved in 46.9%, 50%, and 43.8% of the patients in the 300 mg, 600mg, and 900mg groups, respectively.

In March 2016, the safety and efficacy of the Phase II results and the plans for a Phase III study were confirmed at the End of Phase II meeting with the FDA. Through this meeting and the Chemistry, Manufacturing and Control (CMC) meeting with the FDA, all categories that must be addressed ahead of market release have now been discussed and confirmed.

Since the CNS drugs or anti-depressants that are commonly used to treat diabetic neuropathy cause side effects such as dizziness and somnolence, there is market demand for a new, safe treatment. It is believed that DA-9801 will be a new treatment option for diabetic neuropathic pain with its comparable efficacy and favorable safety profile.

[\[DA-1241\]](#)

DA-1241 is a novel small molecule of GPR119 agonist under development for type 2 diabetes. DA-1241 showed higher potency and efficacy than its competitors in in vitro and in vivo studies, and these improvements were sustained over 10 weeks in the diabetic mice model. Pre-clinical efficacy and safety studies were successfully completed, and no toxicology issues were reported. In addition, based on its PK profile in animals, DA-1241 has the feasibility for once-daily dosing in human. In December 2016, an IND for phase I was submitted to the US FDA.

[\[DA-3880\]](#)

DA-3880 is a biosimilar of darbepoetin alfa which stimulates erythropoiesis (increases red blood cell levels), and is used to treat anemia associated with chronic renal failure and cancer chemotherapy. Darbepoetin alfa has a longer half-life than erythropoietin, resulting in less frequent administrations. Due to the complex glycosylation, development of a darbepoetin alfa biosimilar is known to be difficult. However, a 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 licensing agreement with Sanwa Kagaku Kenkyusho (SKK) of Japan for DA-3880 that completed phase I clinical study and initiated phase III clinical study in Japan in 2016. For the global market, Dong-A ST is preparing for phase III clinical trials with global scope.

[\[DMB-3111\]](#)

DMB-3111 is a biosimilar of Trastuzumab, which is a monoclonal antibody that interferes with the HER2 receptor. Its main use is to treat for metastatic/early breast cancer and metastatic gastric cancer. DMB-3111 is one of the assets in co-development with Meiji Seika Pharma of Japan, and the results of the Japanese phase I clinical trial showed high similarity with the reference product. Based on these results, in October 2016 Dong-A ST contracted with a European company, Gedeon Richter, for the development and commercialization of DMB-3111 in Europe, Russia, CIS and Latin America.

[\[DMB-3115\]](#)

As the 2nd biosimilar wave, Dong-A and Meiji Seika Pharma are developing new monoclonal antibody biosimilar, DMB-3115, a biosimilar of Ustekinumab. Ustekinumab is directed against interleukin 12 and interleukin 23, naturally occurring proteins that regulate the immune system and immune-mediated inflammatory disorders. Ustekinumab is indicated for the treatment of adult patients with active psoriatic arthritis, moderate to severe plaque psoriasis, and moderately to severely active Crohn's disease. A non-clinical study of DMB-3115 will begin in the second half of 2017.



Dong-A ST Financial Review

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Management's Discussion & Analysis

I. Overview

Dong-A ST was established in March 2013 following the transition of Dong-A Pharmaceutical into a holding company structure under Dong-A Socio Group. Its range of businesses includes ethical (ETC) drugs, overseas, and medical equipment & diagnostics business.

This Management's Discussion & Analysis (MD&A) is based on separate financial statements, produced in compliance with Korean IFRS, covering the financial performance and cash flows of Dong-A ST for the fiscal years of 2015 and 2016, both ending December 31. The company neither makes any claims nor provides any guarantees regarding the accuracy and integrity of the forward-looking information included in this MD&A. In particular, comments on the company's business prospects and other forecasts, including business objectives, are based on its own analysis of business, economic and market environments; therefore, conjecture and subject to change under the influence of unforeseen factors. Because of these uncertainties, the forecasts included in this MD&A may prove substantially different from actual results of the future.

The Economy and the Pharmaceutical Market in 2016

According to a World Bank report, the world economy grew 3.0%¹⁾ in 2016, slightly less than in 2015. Despite an economic recovery in the U.S. and Western Europe, the global economy was hampered by uncertainties mainly attributable to Brexit, political and economic instabilities in Russia and the Middle East, China's slowing economy, low oil prices, sluggish world trade, and various other factors. The Korean economy was constrained by weakening consumption, and recorded GDP growth of mere 2.7% for the year, the second year in a row that growth has failed to reach 3%.

In 2016, the global pharmaceutical industry was marked by reduced M&A activities as major companies abandoned their M&A plans in response to the US Treasury Department's new rules on tax inversions. In addition, the Brexit referendum result made it inevitable that the European Medicines Agency (EMA) will relocate away from London, while political changes in the US escalated uncertainties in their pharmaceutical industry. There was also a robust expansion in the biosimilar industry in 2016, as a result of release or approval of biosimilar products for blockbuster biopharmaceuticals.

According to IMS Health data, the Korean pharmaceutical market grew 6.7% in 2016 to approximately KRW 16,136 billion, with the ETC market growing at 7.1%. Despite a tightening regulatory environment and the fast-evolving market, the Korean pharmaceutical industry is expected to continue to grow in line with greater expectations for

advanced medical services as a result of the increased consumption of Western-style diets, an ageing population, and improving economic standards, which will in turn bolster pharmaceutical R&D activities.

II. Major Business Performance

1. Sales

In 2016, Dong-A ST generated KRW 560.3 billion in sales, 1.3% less than the year before. Sales of the ETC Unit declined 5.6%, but the Overseas Unit achieved year-on-year growth of 10.4% thanks to strong sales of bio-products in Brazil and Turkey, as well as a steady increase in exports of Bacchus®. The Medical Equipments & Diagnostics Unit increased its sales by 12.0%, but sales at other sectors fell by 29.3% over the year.

The ETC Unit's proportion of total sales fell 2.5%p to 55.7%, while the Overseas Unit continued to grow, with its proportion of sales went up 2.8%p year-on-year to 26.2%. The Medical Equipments & Diagnostics Unit grew by 1.6%p to 13.4%, and other sectors fell 1.9%p to 4.7%.

Sales by Unit	(Unit: KRW billion)		
	2016	2015	YoY (%)
ETC	311.9	330.4	(5.6)
Overseas	146.9	133.0	10.4
Medical Equipments & Diagnostics	74.9	66.8	12.0
Others*	26.6	37.6	(29.3)

* Others include milestone fees, royalty income and rental income

1A. ETC Unit

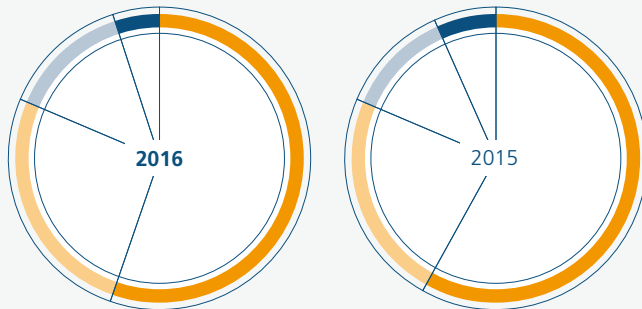
Sales of the ETC Unit in 2016 recorded KRW 311.9 billion, down 5.6% from the year before, mainly due to price reductions in Stillen® as the result of the expiry of the patent, the expiration of the co-promotion agreement with GSK, and a change in organizational structure to streamline its sales system. The company did, however, boost its product portfolio by launching new products. Stillen® 2X, an incrementally modified drug (IMD) of Stillen®, Suganon® and Sugamet®, diabetes treatments, and Teribone®, an osteoporosis treatment. In addition, a license-in agreement was signed for the domestic distribution of Jublia®, a topical onychomycosis treatment.

¹⁾ Based on Purchasing Power Parity

Proportion of Sales by Unit

(Unit: %)

● ETC ● Overseas ● Medical Equipments & Diagnostics ● Others*



	2016	2015	YoY (%p)
ETC	55.7	58.2	(2.5)
Overseas	26.2	23.4	2.8
Medical Equipments & Diagnostics	13.4	11.8	1.6
Others*	4.7	6.6	(1.9)

* Others include milestone fees, royalty income and rental income

In 2017, six new products are slated to enter the market, including Jublia® and an IMD drug of Viread®, a hepatitis B treatment, which will generate additional revenues. In addition, Dong-A ST will quickly license-in multiple products in diabetes, cancer and hepatitis in order to further strengthen its product portfolio.

1B. Overseas Unit

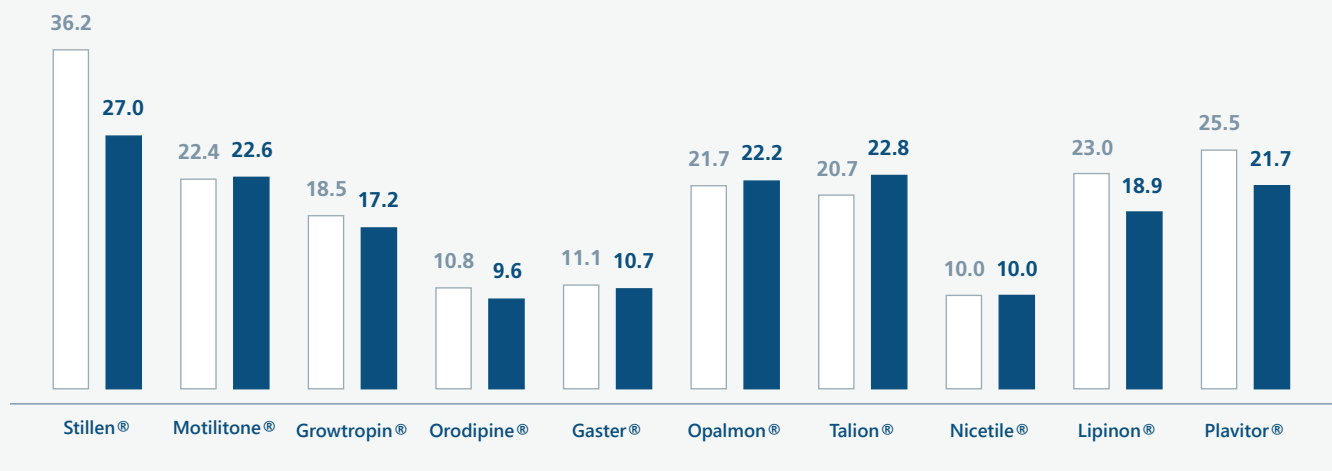
Sales of the Overseas Unit have grown strongly in recent years, and this trend continued in 2016, with sales up 10.4% year-on-year to KRW 146.9 billion. This was mainly due to strong sales of bio-products in Brazil, Turkey, and Bacchus® in Southeast Asia, Central America and the Middle East. Exports of bio-products recorded KRW 46 billion in sales, up 30.1% over the year, while Bacchus® generated KRW 63.2 billion in exports, up 22.1%. Bacchus® once again achieved strong sales in Cambodia, and also debuted in Myanmar, Guatemala and Taiwan.

The company will increase export markets for existing products in 2017, supported by the recent organizational reshuffle which has better defined roles and responsibilities. Furthermore, Dong-A ST will boost overseas sales by enlarging the global network.

Sales of Major ETC Products

(Unit: KRW billion)

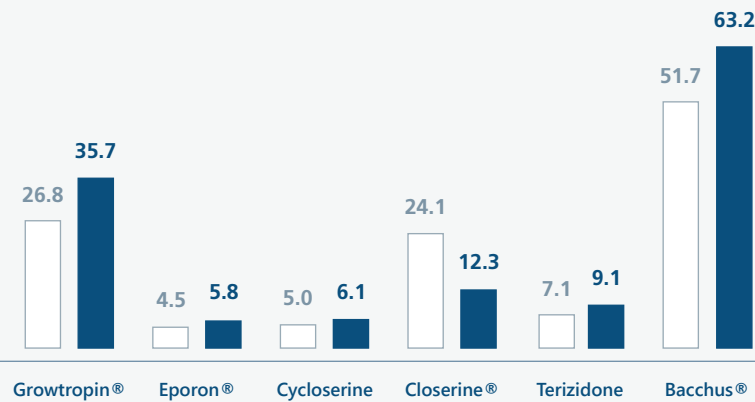
□ 2015 ■ 2016



Export Sales by Product

(Unit: KRW billion)

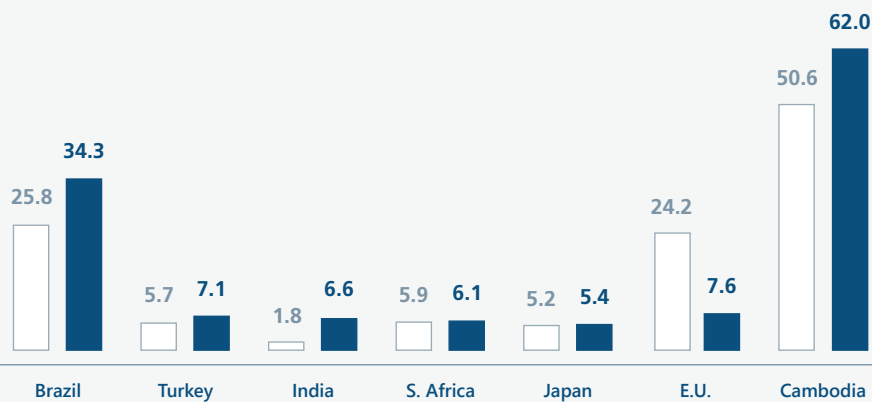
□ 2015 ■ 2016



Export Sales by Region

(Unit: KRW billion)

□ 2015 ■ 2016



In addition to increasing sales of existing products, the company will adopt a dual price system and will diversify the sources of active pharmaceutical ingredients (APIs), in order to respond proactively to opportunities in the anti-tuberculosis drug market. The company will also develop next-generation products, foster its global talent, and develop competitive new drugs, with an aim of increasing global sales.

1C. Medical Equipments & Diagnostics Unit and Others

The Medical Equipments & Diagnostics Unit generated KRW 74.9 billion in sales, a 12.0% year-on-year increase, by strengthening its product line-up through the importing of new medical devices. In medical equipment, the company focused on increasing its market share, achieving certification for various export items, and marketing new products. As a result, sales rose to KRW 42.4 billion, up 16.3% over 2015. Sales in diagnostics also improved by 7.0% to stand at

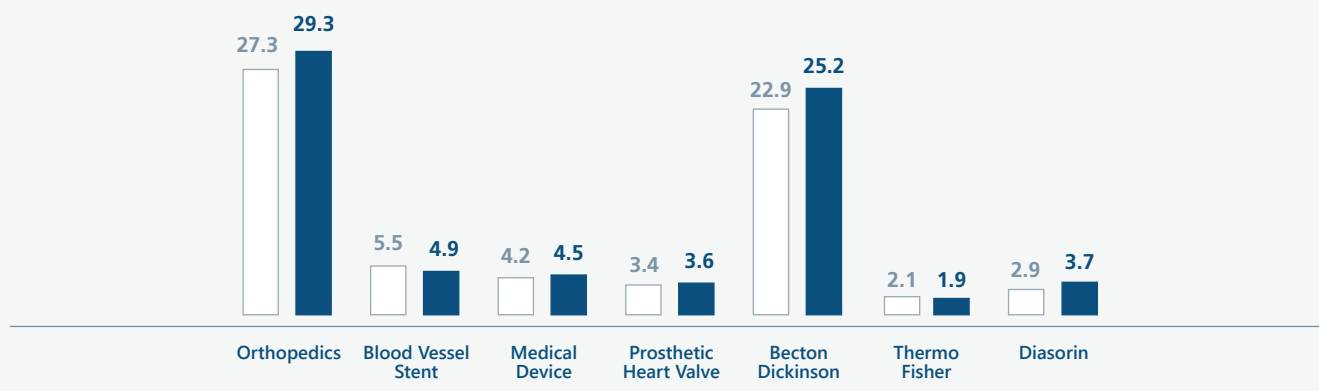
KRW 32.5 billion, thanks to stable growth in sales of Becton Dickinson products and the successful marketing of Diasorin's top-end, high-priced products.

In 2017, the medical equipment sector will continue to expand its product line-up by introducing new items, and will aim to increase exports. In diagnostics, the company will steadily expand sales of existing products, and will begin to make inroads into the new business in infection control.

Sales of Medical Equipments & Diagnostics Unit and Others

(Unit: KRW billion)

□ 2015 ■ 2016



2. Profit and Loss

In 2016, sales of Dong-A ST fell by 1.3% and recorded KRW 560.3 billion. Operating profits were KRW 15.2 billion, down 72.1%, reflecting sluggish sales of ETC drugs and higher R&D expenses owing to a rise in global clinical trials. Net profits recorded KRW 12.9 billion, 73.1% down over the previous year.

Cost of goods sold and SG&A expense ratios rose by 2.4%p and 2.1%p, respectively to 50.6% and 34.2%, and the R&D expense ratio increased 2.3%p to 12.4%.

Effective tax rate decreased to 15.4%, and the profit margin before income tax and net profit margin went down to 0.4% and 2.3%, respectively.

Summarized Separate Statements of Comprehensive Income

(Unit: KRW billion)

	2016	2015
Sales	560.3	567.9
Cost of goods sold	283.8	273.8
Cost of goods sold ratio	50.6%	48.2%
Gross profit	276.5	294.1
SG&A expenses	191.8	182.4
SG&A expenses ratio	34.2%	32.1%
R&D expense	69.5	57.4
R&D expense ratio	12.4%	10.1%
Operating profit	15.2	54.3
Operating profit margin	2.7%	9.6%
Other income	21.1	10.6
Other costs	17.8	14.3
Finance income	13.4	33.1
Finance costs	16.7	20.7
Interest expense	11.9	15.4
Profit before income tax	15.3	63.0
Income tax	2.4	15.0
Effective tax rate	15.4%	23.8%
Net profit	12.9	48.0
Net profit margin	2.3%	8.4%

3. Financial Position

At the end of 2016, Dong-A ST's total assets stood at KRW 1,066.5 billion, up 0.7% over the same time in 2015. Current assets grew by 8.1% year-on-year to KRW 560.9 billion, and non-current decreased by 6.4% to KRW 505.6 billion. This was mainly attributable to the disposal of all shares in M.I.Tech, which is now no longer a subsidiary, on August 12, 2016.

Total liabilities recorded KRW 477.4 billion at the end of 2016, 6.0% down from the same time in 2015. This decrease was mainly due to the early redemption of KRW 30 billion of the KRW 110 billion No.

2-2 non-guaranteed treasury bonds, and the redemption of the No. 3 foreign currency floating rate note which matured in 2016. As a result, debt-to-equity ratio and borrowings ratio fell by 11.1%p and 17.9%p, respectively. Total shareholders' equity increased by 6.9% year-on-year to record KRW 589.1 billion, mainly owing to the exercise of a preemptive right which resulted in an increase in common stock of 408,063 shares, and the increase in retained earnings thanks to the net profits made in 2016.

Summarized Separate Statements of Financial Position

(Unit: KRW billion)

	Dec. 31, 2016	Dec. 31, 2015	Change (%)
Total assets	1,066.5	1,059.0	0.7
Current assets	560.9	519.1	8.1
Cash and equivalents	285.3	295.4	(3.4)
Receivables	128.9	94.4	36.6
Inventories	105.9	93.1	13.8
Others	27.3	36.2	(24.6)
Non-current assets	505.6	540.0	(6.4)
Total liabilities	477.4	507.7	(6.0)
Current liabilities	386.1	236.6	63.2
Non-current liabilities	91.2	271.2	(66.4)
Total shareholders' equity	589.1	551.3	6.9
Borrowings	292.7	372.6	(21.4)
Net debt	7.4	77.2	(90.9)

Key Ratios

(Unit: %)

	Dec. 31, 2016	Dec. 31, 2015	Change (%p)
Debt-to-equity ratio (Total liabilities/ Total shareholders' equity)	81.0	92.1	(11.1)
Borrowings ratio (Total borrowings/ Total shareholders' equity)	49.7	67.6	(17.9)
Net gearing ratio (Total borrowings - cash/ Total shareholders' equity)	1.3	14.0	(12.7)
Current ratio (Current assets/Current liabilities)	145.3	219.4	(74.1)

III. Major Business Issues

In order to expand its global markets, Dong-A ST stays focused on building a network that extends worldwide. In December 2016, the company licensed out its cancer immunotherapy pipeline, which was being developed in-house, to AbbVie Biotechnology of the US. The agreement is expected to improve its operating income as the upfront fees are non-refundable, and will be recorded as income divided proportionally over the duration of the agreement. In April, Suganon® (DA-1229, Evogliptin) was licensed out to US-based Tobira Therapeutics for combination drug development for non-alcoholic steatohepatitis (NASH) treatment. In the second half of the year, Tobira was acquired by Allergan, a leading international pharmaceutical company, so that the global clinical trials for development of a NASH treatment are in progress as planned by Allergan.

After launching Suganon® for type 2 diabetes treatment in the Korean market, Dong-A ST released Sugamet®, a combination drug of Suganon® with Metformin. In 2016, the company also successfully introduced Stillen® 2X, an IMD of Stillen®, a gastritis treatment and the first new drug developed in-house by Dong-A ST. Teribone®, an osteoporosis treatment from Asahi Kasei Pharma of Japan, was introduced to the domestic market in 2016, and a license-in agreement was signed with Kaken Pharmaceutical of Japan in the second of the year for the exclusive domestic distribution of Jublia®, a topical onychomycosis treatment, with sales to begin in 2017.

In order to raise funds for new investments, Dong-A ST disposed of all the 2,350,000 shares it owned in M.I.Tech for KRW 30 billion, which also de-listed M.I.Tech from the entities included within the Dong-A Socio Group.

IV. Economic Outlook and Management Strategies for 2017

The current trend of low economic growth is expected to continue in 2017, with the world economy affected by increasing protectionism which will make negative impacts on international trade, and rising interest rates which will limit investment. There will also be policy uncertainty as a result of the new US administration and the implications of the Brexit referendum result. The World Bank has therefore lowered its growth forecast for the world economy in 2017 from 3.6% to 3.5%. The Korean economy is forecast to grow by mere 2.6%, due to waning construction investment and dwindling private consumption likely to dampen exports and facility investment.

Facing such a challenging business landscape in Korea and abroad, Dong-A ST will build on the foundations it has laid by being proactive in how it leads changes in the industry. In order to become a global, R&D-focused pharmaceutical company that is respected for its innovative new drugs, we will undertake the following in 2017:

First, Dong-A ST will focus all its energy and resources on developing innovative new drugs which earn international recognition. The company will build its globally-oriented R&D further expanding its global network, and will establish a stronger R&D pipeline through open innovation. The company will also identify key technological areas for further development, and channel all the resources necessary into that development.

Second, Dong-A ST will build a firm sales platform that earns complete customer trust. This will enable the company to regain its lead in domestic sales and further increase its overseas sales.

Dong-A Socio Group successfully completed its transition to a holding company structure in 2016. Backed by this new management structure, which ensures a higher standard of accountability and expertise, Dong-A ST will lay the foundations for sustainable growth by undertaking its R&D in a more efficient manner. Furthermore, the company will play a leading role as one of the major Group entities in realizing the Group vision “to be a global healthcare player”. Dong-A ST will spare no efforts in creating both social and shareholder value, thus achieving sustainable growth as a company which earns trust and respect of all its stakeholders.

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 statements of Dong-A ST Co., Ltd. (the "Company"), which comprise the separate statements of financial position as at December 31, 2016 and 2015, 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, 2016 and 2015 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 procedures and practices utilized in the Republic of Korea to audit such separate financial statements may differ from those generally accepted and applied in other countries.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 13, 2017

This report is effective as of March 13, 2017, 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, 2016 and 2015

(In thousands of won)

	2016	2015
ASSETS		
Cash and cash equivalents	₩ 285,279,681	295,358,193
Trade receivables	128,922,036	94,367,429
Other receivables	29,227,568	31,621,536
Other financial assets	-	2,653,222
Inventories	105,873,067	93,058,449
Other current assets	11,593,643	1,999,909
Total current assets	560,895,995	519,058,738
Long-term financial instruments	6,500	6,500
Other receivables	2,655,589	924,031
Other financial assets	17,386,896	16,859,067
Property, plant and equipment	366,159,278	406,982,469
Intangible assets	15,802,568	16,999,809
Investment property	85,453,008	82,749,003
Investments in subsidiaries	560,374	15,222,093
Other non-current assets	17,585,951	227,847
Total non-current assets	505,610,164	539,970,819
Total assets	₩ 1,066,506,159	1,059,029,557

As of December 31, 2016 and 2015

(In thousands of won)

	2016	2015
LIABILITIES		
Trade payables	₩ 27,812,172	31,792,489
Other payables	82,042,031	41,600,890
Short-term borrowings	252,762,972	144,457,344
Provisions	3,436,537	3,814,123
Other current liabilities	18,553,392	4,808,514
Income tax payable	1,524,573	10,107,479
Current liabilities	386,131,677	236,580,839
Other payables	8,758,594	9,282,625
Long-term borrowings	39,893,926	228,115,788
Other financial liabilities	56,757	220,065
Employee benefits	1,015,994	15,533,828
Other non-current liabilities	31,113,359	894,126
Deferred tax liabilities	10,410,283	17,120,176
Non-current liabilities	91,248,913	271,166,608
Total liabilities	477,380,590	507,747,447
EQUITY		
Share capital	42,219,340	40,179,025
Share premium	286,468,820	252,832,635
Capital adjustment	(640,880)	(640,880)
Other equity components	161,309,335	162,176,994
Retained earnings	99,768,954	96,734,336
Total equity	589,125,569	551,282,110
Total liabilities and equity	₩ 1,066,506,159	1,059,029,557

Separate Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

(In thousands of won, except per share information)

	2016	2015
Revenue	₩ 560,278,128	567,910,907
Cost of sales	(283,765,766)	(273,783,341)
Gross profit	276,512,362	294,127,566
Selling and administrative expenses	(191,797,493)	(182,415,621)
Research and development expenses	(69,538,586)	(57,365,564)
Operating profit	15,176,283	54,346,381
Other income	21,101,087	10,551,000
Other expenses	(17,790,219)	(14,301,599)
Finance income	13,435,373	33,054,833
Finance costs	(16,653,924)	(20,697,174)
Profit before income tax	15,268,600	62,953,441
Income tax expense	(2,351,924)	(15,001,773)
Profit	12,916,676	47,951,668
Other comprehensive income(loss)		
Items that will never be reclassified to profit or loss		
Defined benefit plan actuarial losses	(1,850,731)	(4,860,446)
Items that are or may be reclassified to profit or loss		
Available-for-sale financial assets – net change in fair value	62,857	(1,614,949)
Cash flow hedges – effective portion of changes in fair value	201,481	513,462
Other comprehensive loss for the year, net of income tax	(1,586,393)	(5,961,933)
Total comprehensive income year	₩ 11,330,283	41,989,735
Earnings per share		
Basic earnings per share (won)	₩ 1,541	6,114

Separate Statements of Changes in Equity

For the year ended December 31, 2015

(In thousands of won)

		Share capital	Share premium	Treasury shares	Other equity components	Retained earnings	Total equity
Balance at January 1, 2015	₩	38,509,680	225,306,255	(606,444)	183,879,261	39,741,903	486,830,655
Total comprehensive income (loss):							
Profit		-	-	-	-	47,951,668	47,951,668
Other comprehensive income (loss):							
Change in fair value of available-for-sale financial assets		-	-	-	(1,614,949)	-	(1,614,949)
Defined benefit plan actuarial losses		-	-	-	-	(4,860,446)	(4,860,446)
Effective portion of cash flow hedges		-	-	-	513,462	-	513,462
Revaluation reserve		-	-	-	(19,674,600)	19,674,600	-
Total other comprehensive income (loss)		-	-	-	(20,776,087)	14,814,154	(5,961,933)
Total comprehensive income (loss)		-	-	-	(20,776,087)	62,765,822	41,989,735
Transactions with owners, recognized directly in equity:							
Cash dividends		-	-	-	-	(5,773,389)	(5,773,389)
Acquisition of treasury shares		-	-	(34,436)	-	-	(34,436)
Exercise of stock warrants		1,669,345	27,526,380	-	(926,180)	-	28,269,545
Total transactions with owners of the Company		1,669,345	27,526,380	(34,436)	(926,180)	(5,773,389)	22,461,720
Balance at December 31, 2015	₩	40,179,025	252,832,635	(640,880)	162,176,994	96,734,336	551,282,110

For the year ended December 31, 2016

(In thousands of won)

	Share capital	Share premium	Treasury Shares	Other equity components	Retained earnings	Total equity
Balance at January 1, 2016	₩ 40,179,025	252,832,635	(640,880)	162,176,994	96,734,336	551,282,110
Total comprehensive income (loss):						
Profit	-	-	-	-	12,916,676	12,916,676
Other comprehensive income (loss):						
Change in fair value of available-for-sale financial assets	-	-	-	62,857	-	62,857
Defined benefit plan actuarial losses	-	-	-	-	(1,850,731)	(1,850,731)
Effective portion of cash flow hedges	-	-	-	201,480	-	201,480
Total other comprehensive income (loss)	-	-	-	264,338	(1,850,731)	(1,586,393)
Total comprehensive income (loss)	-	-	-	264,338	11,065,945	11,330,283
Transactions with owners of the Company, recognized directly in equity:						
Cash dividends	-	-	-	-	(8,031,327)	(8,031,327)
Exercise of stock warrants	2,040,315	33,636,185	-	(1,131,997)	-	34,544,503
Total transactions with owners of the Company	2,040,315	33,636,185	-	(1,131,997)	(8,031,327)	26,513,176
Balance at December 31, 2016	₩ 42,219,340	286,468,820	(640,880)	161,309,335	99,768,954	589,125,569

Separate Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(In thousands of won)

	2016	2015
Cash flows from operation activities		
Profit	₩ 12,916,676	47,951,668
Adjustments	29,480,791	48,843,135
Changes in assets and liabilities	(24,917,464)	(40,636,554)
Income taxes paid	(17,149,235)	(12,557,015)
Net cash from operating activities	330,768	43,601,234
Cash flows from investing activities		
Interest received	1,851,108	2,063,958
Dividends received	2,664	271,000
Decrease in long-term financial assets	-	1,000
Disposal of available-for-sale financial assets	93,600	40,204,002
Decrease in investments in subsidiaries	29,289,339	15,000,000
Disposal of property, plant and equipment	14,514,526	27,985
Disposal of intangible assets	1,430,000	-
Decrease in deposits	174,252	418,268
Disposal of disposal group	25,505,682	25,494,318
Acquisition of short-term loans to employees	(735,000)	-
Acquisition of available-for-sale financial assets	(2,036,507)	(20,896,246)
Acquisition of held-to-maturity financial assets	(21,720)	-
Acquisition of investments in subsidiaries	(341,520)	(553,750)
Acquisition of property, plant and equipment	(20,375,253)	(27,286,421)
Acquisition of intangible assets	(1,475,577)	(3,547,407)
Increase in deposits	(219,300)	(416,000)
Net cash from(used in) investing activities	₩ 47,656,294	30,780,707

For the years ended December 31, 2016 and 2015

(In thousands of won)

	2016	2015
Cash flows from financing activities		
Proceeds from short-term borrowings	₩ 66,468	19,497,234
Rental deposits received	-	1,984,365
Exercise of stock warrants	34,544,503	28,269,545
Interest paid	(8,570,241)	(11,575,629)
Dividends paid	(8,031,327)	(5,773,389)
Repayment of short-term borrowings	(9,497,234)	(28,527,487)
Repayment of current portion of bonds	(32,487,223)	(70,000,000)
Repayment of current portion of long-term borrowings	(10,000,000)	-
Repayment of long-term borrowings	-	(4,300,000)
Repayment of bonds	(30,765,525)	-
Net cash from(used in) financing activities	(64,740,579)	(70,425,361)
Net increase in cash and cash equivalents	(16,753,517)	3,956,580
Cash and cash equivalents at beginning	295,358,193	281,578,610
Effect of exchange rate fluctuations on cash held	6,675,005	9,823,003
Cash and cash equivalents at end of year	₩ 285,279,681	295,358,193

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 statements of Dong-A ST Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, 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, 2016 and 2015 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 procedures and practices utilized in the Republic of Korea to audit such consolidated financial statements may differ from those generally accepted and applied in other countries.

KPMG Samjong Accounting Corp.
Seoul, Korea
March 13, 2017

This report is effective as of March 13, 2017, 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, 2016 and 2015

(In thousands of won)

	2016	2015
ASSETS		
Cash and cash equivalents	₩ 285,877,024	296,167,212
Short-term financial instruments	-	2,200,000
Trade receivables	128,926,616	97,742,512
Other receivables	29,227,568	31,774,081
Other financial assets	-	2,653,222
Inventories	105,873,067	96,623,081
Other current assets	11,611,780	2,463,225
Income tax receivable	1,226	9,012
Current assets	561,517,281	529,632,345
Long-term financial instruments	6,500	6,500
Other receivables	2,655,589	1,073,322
Other financial assets	17,386,896	16,949,067
Property, plant and equipment	366,208,892	411,524,884
Intangible assets	15,802,568	20,062,974
Investment property	85,453,008	82,749,003
Other non-current assets	17,585,951	227,847
Deferred tax assets	-	1,312,981
Non-current assets	505,099,404	533,906,578
Total assets	₩ 1,066,616,685	1,063,538,923

As of December 31, 2016 and 2015

(In thousands of won)

	2016	2015
LIABILITIES		
Trade payables	₩ 27,812,172	32,222,799
Other payables	82,052,035	42,837,030
Short-term borrowings	252,762,972	144,457,344
Provisions	3,436,537	3,814,123
Other current liabilities	18,553,391	4,845,906
Income tax payable	1,529,124	10,111,845
Current liabilities	386,146,231	238,289,047
Other payables	8,758,595	9,282,625
Long-term borrowings	39,893,926	228,115,788
Other financial liabilities	56,757	220,065
Employee benefits	1,015,994	15,843,656
Other non-current liabilities	31,113,359	894,126
Deferred tax liabilities	10,410,283	17,120,176
Non-current liabilities	91,248,914	271,476,436
Total liabilities	477,395,145	509,765,483
EQUITY		
Share capital	42,219,340	40,179,025
Share premium	286,468,820	252,832,635
Capital adjustment	(640,880)	(640,880)
Other equity components	160,395,913	161,210,512
Retained earnings	100,778,347	100,032,164
Equity attributable to owners of the Company	589,221,540	553,613,456
Non-controlling interests	-	159,984
Total equity	589,221,540	553,773,440
Total liabilities and equity	₩ 1,066,616,685	1,063,538,923

Consolidated Statements of Comprehensive Income

For the year ended December 31, 2016 and 2015

(In thousands of won, except per share information)

	2016	2015
Revenue	₩ 560,535,398	567,939,669
Cost of sales	(283,769,096)	(273,658,503)
Gross profit	276,766,302	294,281,166
Selling and administrative expense	(192,384,857)	(183,052,903)
Research and development expenses	(69,538,586)	(57,365,564)
Operating profit	14,842,859	53,862,699
Other income	4,590,897	10,590,446
Other costs	(15,586,006)	(14,302,287)
Finance income	13,435,373	33,054,834
Finance costs	(16,654,677)	(20,698,254)
Profit before income tax	628,446	62,507,438
Income tax benefit(expense)	2,008,748	(15,001,773)
Profit from continuing operations	2,637,194	47,505,665
Discontinued operations	8,004,779	1,067,650
Profit	10,641,973	48,573,315
Other comprehensive income(loss)		
Items that will never be reclassified to profit or loss		
Defined benefit plan actuarial gains (losses)	(1,850,731)	(4,372,496)
Items that are or may be reclassified to profit or loss		
Available-for-sale financial assets – net change in fair value	62,857	(1,614,949)
Cash flow hedges – effective portion of changes in fair value	201,481	513,461
Foreign operations – foreign currency translation differences	53,061	(95,696)
Other comprehensive income for the year, net of income tax	(1,533,332)	(5,569,680)
Total comprehensive profit	₩ 9,108,641	43,003,636

For the year ended December 31, 2016 and 2015

(In thousands of won, except per share information)

	2016	2015
Profit attributable to:		
Owners of the Company	₩ 10,628,240	48,562,212
Net profit from continuing operations	2,637,194	47,505,665
Net profit from discontinued operations	7,991,046	1,056,547
Non-controlling interests	13,733	11,103
Net profit from continuing operations	-	-
Net profit from discontinued operations	13,733	11,103
Profit	10,641,973	48,573,315
Total comprehensive income attributable to:		
Owners of the Company	9,094,908	42,987,458
Non-controlling interests	13,733	16,178
Total comprehensive income	₩ 9,108,641	43,003,636
Profit per share		
Basic earnings per share (won)	1,268	6,192
Continuing operations	315	6,057
Discontinued operations	953	135

Consolidated Statements of Changes in Equity

For the year ended December 31, 2015

(In thousands of won)	Attributable to owners of the Company							Total equity
	Share capital	Share premium	Treasury shares	Other equity components	Retained earnings	Non-controlling interests		
Balance at January 1, 2015	₩ 38,509,680	225,306,255	(606,444)	182,917,559	41,946,312	263,451	488,336,813	
Total comprehensive income:								
Profit	-	-	-	-	48,562,212	11,104	48,573,316	
Other comprehensive income (loss):								
Change in fair value of available-for-sale financial assets	-	-	-	(1,614,949)	-	-	(1,614,949)	
Defined benefit plan actuarial losses	-	-	-	-	(4,377,570)	5,074	(4,372,496)	
Effective portion of cash flow hedges	-	-	-	513,461	-	-	513,461	
Changes in fair value of exchange differences on translating from foreign operations	-	-	-	(95,696)	-	-	(95,696)	
Revaluation reserve	-	-	-	(19,674,599)	19,674,599	-	-	
Total other comprehensive income (loss)	-	-	-	(20,871,783)	15,297,029	5,074	(5,569,680)	
Total comprehensive income (loss)	-	-	-	(20,871,783)	63,859,241	16,178	43,003,636	
Transactions with owners of the Company, recognized directly in equity:								
Cash dividends	-	-	-	-	(5,773,389)	-	(5,773,389)	
Acquisition of treasury shares	-	-	(34,436)	-	-	-	(34,436)	
Exercise of stock warrants	1,669,345	27,526,380	-	(926,180)	-	-	28,269,545	
Others	-	-	-	90,916	-	(119,645)	(28,729)	
Total transactions with owners of the Company	1,669,345	27,526,380	(34,436)	(835,264)	(5,773,389)	(119,645)	22,432,991	
Balance at December 31, 2015	₩ 40,179,025	252,832,635	(640,880)	161,210,512	100,032,164	159,984	553,773,440	

For the year ended December 31, 2016

(In thousands of won)	Attributable to owners of the Company							Total equity
	Share capital	Share premium	Treasury shares	Other equity components	Retained earnings	Non-controlling interests		
Balance at January 1, 2016	₩ 40,179,025	252,832,635	(640,880)	161,210,512	100,032,164	159,984	553,773,440	
Total comprehensive income(loss):								
Profit	-	-	-	-	10,628,240	13,733	10,641,973	
Other comprehensive income (loss):								
Change in fair value of available-for-sale financial assets	-	-	-	62,857	-	-	62,857	
Defined benefit plan actuarial losses	-	-	-	-	(1,850,731)	-	(1,850,731)	
Effective portion of cash flow hedges	-	-	-	201,481	-	-	201,481	
Changes in fair value of exchange differences on translating from foreign operations	-	-	-	53,061	-	-	53,061	
Total other comprehensive income (loss)	-	-	-	317,399	(1,850,731)	-	(1,533,332)	
Total comprehensive income (loss)	-	-	-	317,399	8,777,509	13,733	9,108,641	
Transactions with owners of the Company, recognized directly in equity:								
Cash dividends	-	-	-	-	(8,031,327)	-	(8,031,327)	
Exercise of stock warrants	2,040,315	33,636,185	-	(1,131,997)	-	-	34,544,503	
Disposal of subsidiaries	-	-	-	-	-	(173,717)	(173,717)	
Total transactions with owners of the Company	2,040,315	33,636,185	-	(1,131,997)	(8,031,327)	(173,717)	26,339,459	
Balance at December 31, 2016	₩ 42,219,340	286,468,820	(640,880)	160,395,914	100,778,346	-	589,221,540	

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(In thousands of won)

	2016	2015
Cash flows from operating activities		
Profit	₩ 10,641,973	48,573,316
Adjustments	33,888,496	50,647,218
Changes in assets and liabilities	(25,496,863)	(44,268,083)
Income taxes paid	(17,144,074)	(12,560,280)
Income tax refund	-	5,216
Net cash from operating activities	1,889,532	42,397,387
Cash flows from investing activities		
Interest received	1,867,821	2,119,502
Dividends received	2,664	271,000
Decrease in short-term financial instruments	2,200,000	9,600,000
Decrease in long-term financial instruments	-	1,000
Disposal of available-for-sale financial assets	213,600	40,204,002
Disposal of property, plant and equipment	14,514,525	38,865
Disposal of intangible assets	1,430,000	64,545
Decrease in deposits	178,502	535,052
Disposal of disposal group	25,505,682	25,494,318
Cash flows from disposal of subsidiaries	29,289,339	4,896,500
Increase in short-term loans to employees	(735,000)	-
Increase in short-term financial instruments	(1,900,000)	(8,600,000)
Acquisition of available-for-sale financial assets	(2,036,506)	(20,896,246)
Acquisition of held-to-maturity financial assets	(21,720)	-
Acquisition of property, plant and equipment	(20,630,685)	(28,276,039)
Acquisition of intangible assets	(1,510,118)	(3,950,711)
Increase in deposits	(219,300)	(482,825)
Cash flows used in disposal of subsidiaries	(2,308,818)	-
Net cash from (used in) investing activities	₩ 45,839,986	21,018,963

For the years ended December 31, 2016 and 2015

(In thousands of won)

	2016	2015
Cash flows from financing activities		
Proceeds from short-term borrowings	₩ 66,468	19,497,234
Rental deposits received	-	1,984,365
Exercise of stock warrants	34,544,503	28,269,545
Interest paid	(8,570,994)	(11,576,708)
Dividends paid	(8,031,327)	(5,773,389)
Repayment of short-term borrowings	(9,497,234)	(28,527,487)
Repayment of current portion of bonds	(32,487,223)	(70,000,000)
Repayment of current portion of long-term borrowings	(10,000,000)	-
Repayment of long-term borrowings	-	(4,300,000)
Repayment of bond	(30,765,525)	-
Net cash from (used in) financing activities	(64,741,332)	(70,426,440)
Net decrease in cash and cash equivalents	(17,011,814)	(7,010,090)
Cash and cash equivalents at beginning	296,167,212	293,438,922
Effect of exchange rate fluctuations on cash held	6,721,626	9,738,380
Cash and cash equivalents at end of year	₩ 285,877,024	296,167,212



Sustainability Review

- 110 Ethical Value
- 112 Shareholder Value
- 114 HR Value
- 116 Social Value

Ethical Value



Achieved 'AA' rank on the CP Evaluation Program

We have established systems and processes to ensure our compliance with the highest standards of ethical management.



2007

Year when Dong-A Socio Group first adopted a Compliance Program



800+

Number of staff participated in the 'Compliance Day'



Culture of Ethics

At Dong-A Socio Group, we understand that ethical management is essential to our sustainable growth, and we conduct ourselves accordingly. We have led development and innovation in the Korean pharmaceutical industry, and in order to go beyond a good company and become a great one, Dong-A Socio Group continuously reminds all employees the standard mindset and behavior that they should demonstrate towards the Compliance Program (CP). We are also making group-wide efforts to fully establish ethical management as part of our unique corporate culture. To this end, we set and share CP operation regulations and code of conduct with all employees, and have drawn up CP training plans and systems to support the execution of ethical management. By spreading the culture of compliance, we create the foundation for sustainable growth and build strong, trusting relationships with our stakeholders.

Compliance Program

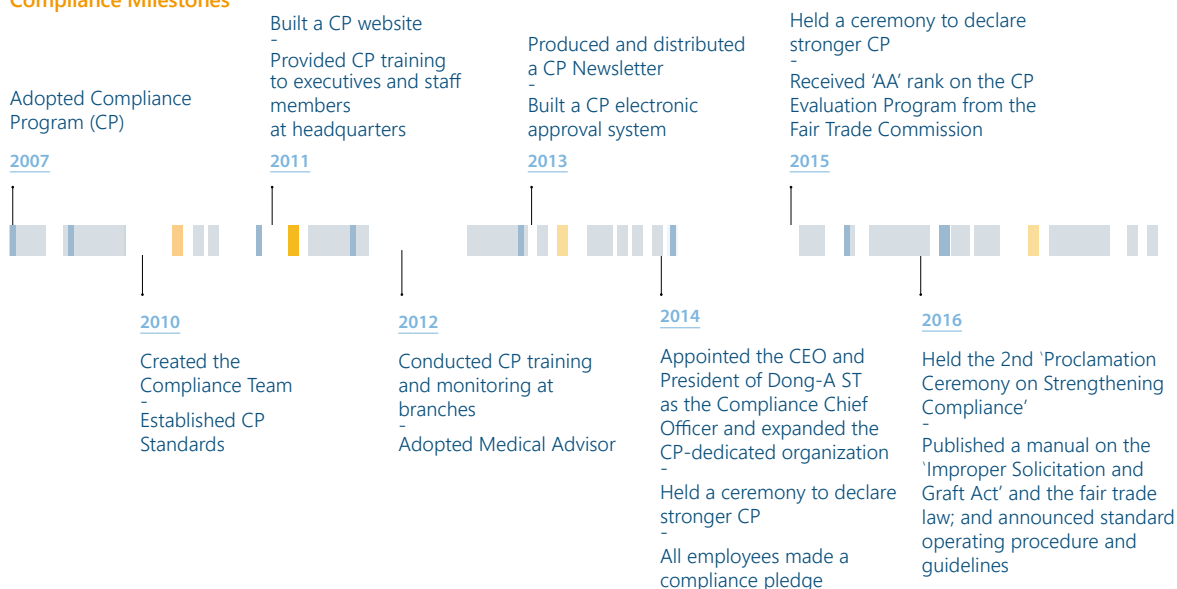
Dong-A Socio Group first adopted a CP in September 2007, and we have trained and monitored employees on complying fair trade regulations. In 2016, we engaged in various compliance activities to spread the culture of compliance. We issued CP manuals, including a manual on indication and advertising of ethical drugs as well as medical equipment and diagnostics, a manual on fair trade-related regulations and pharmaceutical industry-related regulations, rules, and systems in 2016, and a manual on Dong-A ST's compliance management system. We also published the 'CP Magazine' on the 'Dong-A Socio' webzine, operated the 'Dialogue with the Compliance Chief Officer' bulletin board, and helped employees share CP materials on the CP homepage.

In January 2016, Dong-A ST held the 2nd 'Proclamation Ceremony on Strengthening Compliance', with participation of 164 employees. On the 2nd 'Compliance Day' in April, its CEO, who is also the Compliance Chief Officer, spoke about practicing ethical management to around 800 employees. The participants recited the compliance oath together and affirmed their determination to practice compliance.

Dong-A ST became the first in the Korean pharmaceutical industry to create a Compliance Team in 2010, which was made into the CP Management Department in 2014 to strengthen compliance. The CP Management Department handles corporate-wide CP-related work and training. In 2016, CP training was provided to all employees on the occasion of the enforcement of the 'Improper Solicitation and Graft Act', and awards were given to outstanding CP branches and teams. Five staffs of the Department earned Certified Compliance Professional (CCP) certification, and the Deputy Compliance Officer (DCO) has served as chair of the Sub-Committee on Compliance Management of the Korea Pharmaceutical and Bio-Pharma Manufacturers Association.

In 2017, Dong-A Socio Group plans to improve CP homepage, create an electronic manual on CP, and undergo reorganization, all in efforts to ensure that the culture of compliance is strongly established as our corporate culture. Also, we will continue to spread the culture of compliance across all entities of the Group, and promote the compliance culture in the Korean pharmaceutical industry. Through these efforts and commitment, we will fulfill corporate social responsibilities and strive to contribute to health and well-being of humankind.

Compliance Milestones



Shareholder Value



297

Number of IR activities
conducted in 2016

We strive to achieve long-term value creation for our shareholders by communicating with them as transparently as possible.



82

Number of overseas institutional
investors interacted through
IR activities in 2016



Every Quarter

Performance announcement,
disclosure and the internal
IR Council



IR Activities

Our long-term success as a healthcare company depends on our ability to inspire trust in all our shareholders. Dong-A Socio Group. Therefore, engages in Investor Relations (IR) activities based on three core values – developing expertise, promoting efficient communications, and building investor trust.

In 2016, Dong-A conducted 297 IR activities, including company visits, domestic and overseas Non-Deal Roadshows (NDRs), and overseas conferences. We participated in conferences and NDRs held in New York, Boston, Hong Kong, and Singapore, and interacted with 82 overseas institutional investors. This accounted for around 27% of overall IR activities, reflecting higher interest among overseas investors.

Increased market interest in the pharmaceutical industry has resulted in greater diversity and intensity of demand for each company's R&D information. In response, Dong-A is making a shift from previous performance-focused IR activities to R&D-centered. As part of this effort, a CEO, who was formerly a researcher at the Dong-A ST Research Center, participated as a speaker in IR events that were held for domestic and overseas organizations and media. Also, a Head of the Research Center attended an overseas healthcare conference for a more professional R&D meeting. In addition, we continued to hold quarterly conference calls and NDRs for analysts and institutional investors to announce our performance and to strengthen trust through steady IR activities.

IR Communication Channel

Dong-A Socio Group communicates with investors through various channels. The internal IR Council takes place before every quarterly performance announcement, and members from key departments share information on major issues. The IR Team works closely with the Public Relations (PR) Team to share accurate and timely information, and to immediately deliver them to the relevant senior executives. Our IRO participates in industry outlook seminars, conferences, and meetings with IROs from other companies, to enable quick responses to changes in the market environment and to identify industry trends. This is also a good way to build network and exchange information for more efficient IR activities.

Dong-A Socio Group delivers important and essential information on the Group both quickly and accurately via fair disclosure. IR materials are posted on our website for the transparent sharing of information. We are the only Korean pharmaceutical company to publish an annual report in English every year, and our 2015 Annual Report won the Grand Award, the highest award available, in the 'Traditional Annual Reports Asia/Pacific' category at the 'International ARC Awards' which celebrated its 30th anniversary in 2016. The Annual Report also won the Gold Award in the pharmaceuticals category at the League of American Communications Professional (LACP) Vision Awards, a global annual report contest, ranking 38th among the 'Global Top 100 Annual Reports'. In Korea, it won the Excellent Overseas PR Material Award at the 2016 Korea Business Communications Awards.

Higher Standards for IR Activities

In 2016, there was a considerable rise in volatility in stock prices according to the success or failure of licensed-out R&D pipeline items in the clinical and development phases. There were negative incidents, such as insider trading using undisclosed information and acts that disturbed the market. In 2016, in an effort to prevent such incidents, Dong-A provided its staff with two training sessions, including a training on the unfair trade regulation system through the Korea Listed Companies Association, and the regulations to prohibit unfair trade under the Capital Market and Financial Investment Act hosted by the internal Legal Department. In 2017, we plan to offer trainings on two occasions through the Korea Exchange. We will continue to strengthen the abilities and ethical mindset of our employees, and do our best to ensure maximum protection for investors and shareholder value by disclosing the company's important information in an accurate, timely manner.



HR Value



17.7%

Portion of R&D personnel to total personnel at Dong-A Socio Holdings and Dong-A ST

The success of Dong-A is based on motivated and competent employees, we therefore, attract and retain the best talent in the industry.



2016

Completed the construction of the new Dong-A Socio Group HR Development Center



287

Number of HRD programs offered in 2016



Status of Experts

As of the end of 2016, there were 2,644 employees at four major companies within Dong-A Socio Group – 242 at Dong-A Socio Holdings, 1,602 at Dong-A ST, 706 at Dong-A Pharmaceutical, and 94 at DM Bio. We focus on recruiting professionals such as pharmacists, lawyers, and patent agents, and of particular note, there are 161 pharmacists, accounting for 16.4% of total personnel. The portion of R&D personnel to total at Dong-A Socio Holdings and Dong-A ST is 17.7%, and of these 326 professionals, those with a master's degree and a doctorate degree account for 58.9% and 17.5%, respectively. There are 115 personnel handling overseas business-related work, taking up 4.3% of total personnel at the four companies, which means that we are recruiting experts in different fields to realize our vision of becoming a "global healthcare player".

Recruitment, Wage Structure, and Benefits

Dong-A Socio Group recruits outstanding people through both rolling recruitment and a formal semi-annual recruitment processes for college graduates. In 2016, we hired 86 college graduates through our formal recruitment processes. In addition, a global internship program was offered to 17 foreign undergraduates residing in Korea, with an aim to employ global experts, strengthen the global mindset of our employees, and to foster experts working for Dong-A Socio Group in their home 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 fair compensation. We provide comprehensive health support for employees and their families, as well as educational initiatives for their children and post-retirement support.

Human Resources Development Program

Dong-A Socio Group seeks to improve employee skills and enhance employee loyalty by offering various talent-fostering programs. We completed the construction of our new HR Development Center, with the latest training facilities, in Sangju, North Gyeongsang Province in September 2016, and ushered in a new era of fostering talent.

Dong-A Socio Group offers training programs that are aimed at strengthening skills that are required depending on staff duties. In 2016, we offered a total of 72 training courses over 287 occasions, including courses on leadership at the Group level, work duties, and basic job

skills. In addition to continually offering training courses for executive candidates and Group managers, we created a training course for promotion candidates and provided trainings on duties to strengthen the sales skills of our Medical Representatives (MRs) for each of the ETC and OTC business.

We created new global courses in line with our expedited entry into overseas markets such as the 'Middle East North Africa (MENA) Seminar', trainings for staff working overseas, and 'Convention on Pharmaceutical Ingredients (CPhI) Camp'. The 2nd 'Global Business Preparation Course' was successfully completed, and the 3rd course is now underway. In response to changes in the environment and government policies, we provided pharmacovigilance (PV) training to all staff, in addition to training on how to use D-cloud (a cloud document management system of Dong-A Socio Group) and on the Improper Solicitation and Graft Act.

Creating a Great Workplace

Dong-A Socio Group strives to establish a healthy organizational culture of mutual cooperation and respect. These efforts have led to good results both inside and outside of the Group. Created in 1975, our Labor-Management Council serves as a window for mutual understanding and cooperation between labor and management. Labor-management negotiations are held without disputes every year. In fact, the Group was chosen for the 'Labor-Management Partnership Support Program' by the Korea Labor Foundation for the second consecutive year in 2016. Dong-A ST and Dong-A Pharmaceutical were also certified as a "company with an outstanding labor-management culture" and a "family-friendly company", respectively.

Dong-A Socio Group seeks to create a healthy workplace, and helps staff achieve balance between work and personal life. A "mentoring program" has been offered since 2010 to help new employees get adjusted to their work, with a total 474 program participants to date. We designated the Wednesday in the third week of each month as 'Dong-A Family Day' to prohibit overtime work and company dinners, in order to ensure that staffs leave work on time. We are creating a corporate culture that increases staff concentration on work during work hours while striking balance between work and personal life. Continuous efforts have been made to improve our work environment, and facilities such as the "stairs that you want to walk on" and a pleasant company café for rest and relaxation are available for all employees. We also have an anti-smoking campaign and a 'Healthy Place to Work' program, which check the health of our employees on a monthly basis.



Social Value



10,879.6
km

Cumulative distance of
Dong-A Pharmaceutical's Tour Korea
for College Students



30,000
bottles

Number of Bacchus® donated to
the Korea Red Cross in 2016



2.75
KRW billion

Amount of scholarships offered
by Sooseok Cultural Foundation to
1,680 students



Social Contribution Events

[Dong-A Pharmaceutical's Tour Korea for College Students](#) is an event at which 144 college students walk a total of around 600 kilometers over 21 days. Dong-A has hosted the tour since 1998, which marked 2016 the 19th anniversary of the tour. As of the end of 2016, the total number of participants had reached 2,713 persons, and the cumulative distance walked was 10,879.6 kilometers.

[Class for Youth on Caring for the Environment and Life](#) is a five day class designed to teach 60 junior high school students how precious the environment is, and how to protect it. First run in 2004, it has encouraged participants to share the importance of environmental protection with others.

Staff Volunteering Activities

[Baffor Sharing Volunteer Work](#) has been undertaken by Dong-A Socio Group's volunteer team since 2005. Every December, we visit the Baffor Sharing Campaign Headquarters, a soup kitchen, and help prepare food for around 800 people, distribute the food and wash the dishes afterwards. Since 2014, Baffor Sharing Volunteer Work has been part of our new employee training program.

[Doori Volunteer Team](#) was established by Dong-A ST's labor union in 2014 for employee participation in volunteer work. The 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.

Sponsorships

[Love Sharing Bazaar](#) has been held every May since 2009, and is a market at which Dong-A Socio Group sells its products to local residents and employees at low prices. The proceeds are then donated to lend a helping hand to the under-privileged in the Dongdaemun-gu area of Seoul.

[Bacchus® Cup Junior Golf Team Championship](#) supports talented young golfers in Korea. It has been held every May since 2005, with participation by around 200 elementary, junior high, and high school students from across the nation.

[Korea-Japan Festival](#) is a cultural exchange event held by citizens in Korea and Japan. It takes place every September, and Dong-A Socio Group has sponsored the Festival since 2009.

['1 Company-1 Barrack Sisterhood Agreement with the Korea Army Training Center'](#) is a part of "valuing myself" campaign carried out by Dong-A Pharmaceutical. We initiated this sponsorship in 2016, and have been providing 150 thousand bottles of Bacchus® every year to boost the morale of army recruits.

[Donation of pharmaceuticals](#) is a key activity for Dong-A Socio Group as a healthcare company. In 2016, we donated 30,000 bottles of Bacchus® to the Korean Red Cross to help its activities, and Growthropin®, a human growth hormone, has been donated to children from low-income families since 2013.

Global CSR

Dong-A Socio Group carries out various CSR activities in countries where we operate. We have been providing scholarships to students attending the University of Pharmacy, Yangon, in Myanmar since 2014, and our working-level staff have been providing lectures on pharmacy. We also provided medical devices to Yangon General Hospital. In 2016, we signed a sponsorship agreement on delivering medicine with Plan Korea, an international relief and development NGO, to provide medical support to isolated areas in Guinea, West Africa. We continue to provide medicine to Africa.

Sooseok Cultural Foundation

The Sooseok Cultural Foundation runs a scholarship and other programs that are aimed at promoting academic and cultural activities. As of the end of 2016, the Foundation had provided scholarships to 1,680 high school students and undergraduates, totaling KRW 2.75 billion.

The 'Hamchun Dong-A Medical Science Award' is presented in every December to scholars who have contributed to medical development, with the KRW 30 million sponsorship of the Sooseok Cultural Foundation. The Foundation also sponsors the 'Excellent Pharmacist Award', which is presented every February by the Korean Pharmaceutical Association to promote the development of the pharmaceutical industry.

In addition, the Sooseok Cultural Foundation has sponsored the Marronnier Women's Composition Contest since 1992, with the aim of increasing the number of women authors. The Foundation also publishes the pamphlet '3,000 Chinese Characters Used in Daily Life', and distributes it for free to schools, companies, and various other groups. 38,000 copies have been distributed since its first publication in 2006 as of the end of 2016.

Sangju Institution

Sangju Institution is the educational foundation of Sangju High School. Former Chairman Joong-Hui Kang served as the 4th through 7th chair from 1964 to 1977, and Honorary Chairman Shin-Ho Kang served as the 8th chair and onwards. It provides scholarships, supports to school operations, and offers field trips to Dong-A Pharmaceutical's Research Center and Cheonan Plant to help foster future talent.



Corporate & IR Information

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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

ST Pharm

Korea Securities Dealers Automated Quotation 237690

Annual General Meeting

March 24, 2017

Information Availability

Dong-A Socio Holdings



[Korean](#)



[English](#)

Dong-A ST



[Korean](#)



[English](#)

Dong-A Pharmaceutical



[Korean](#)



[English](#)

ST Pharm



[Korean](#)



[English](#)

DM Bio



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