
2009
ANNUAL
REPORT

Search & Reach



2009
AT A GLANCE

Sales
(Unit: KRW Billion)

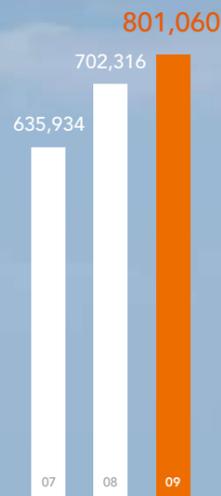
801

Total Sales Growth
(Unit: %)

14.1

Operating Profit Growth
(Unit: %)

12.5



Sales
(Unit: KRW Million)



Operating Profit
(Unit: KRW Million)



Operating Profit Ratio
(Unit: %)



EBITDA Margin
(Unit: %)

Since our foundation in 1932, Dong-A has been the pioneering force behind Korea's pharmaceutical industry. Our vision and drive propelled us to the No. 1 position, and have kept us there since 1967.

We recognize and appreciate the invaluable role played by our investors and supporters over the years, and steadfastly assure them that Dong-A is continuing to work toward even higher goals.

THERE IS ALWAYS MORE TO IMPROVE.

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Shin-Ho Kang
Chairman, Dong-A Socio Group



Won-Bae Kim
CEO, Dong-A Pharmaceutical

This has been a year of outstanding results in all sectors for Dong-A. We are securing our company's future growth drivers with advanced R&D, and gaining access to new markets through technological and marketing innovation. As a responsible corporate citizen that puts stakeholder interests first, we are continuing to build a stable and transparent governance structure, and to remain a good neighbor to our surrounding communities.

Distinguished Customers and Shareholders,

On behalf of everyone at Dong-A, I would first like to extend my heartfelt gratitude for your encouragement and support throughout the past year.

2009 was a year in which our company was forced to contend with a number of serious challenges, among them higher energy and raw materials costs, legislated reductions in drug prices, stiffer industry regulation, and the generalized effects of the financial crisis. In this context, it is quite remarkable that Dong-A was able to record such a successful, and indeed, record-setting year.

The company's total sales in 2009 were up 14.1%, reaching KRW 801 billion. This marks the first time in the history of Korea's pharmaceutical industry that a company has recorded sales in excess of KRW 800 billion. Our operating profits were also up, rising 12.5% year-on-year to KRW 91.9 billion.

Gains were made across our wide portfolio. I am particularly proud to report that our stable of blockbuster drugs, which we define as products with annual sales over KRW 10 billion, rose to 21. 2009 was also a year in which Dong-A's ability to independently develop and launch highly marketable commercial products was again demonstrated. Our range of in-house developed new drugs, led by Stillen® and Zydena®, collectively recorded more than KRW 100 billion in total sales. Added to that, the company's overseas sales experienced 43% growth, driven by the launch of Zydena® in Russia and Leucostim® in Turkey. As a result, Dong-A has solidified its position as the undisputed No. 1 pharmaceutical company in Korea.

These impressive results in the domestic and international arenas have polished our reputation as a market leader. Not only have we delivered strong bottom-line numbers, but we have also made excellent progress on corporate governance issues and in our levels of social contribution.

Distinguished Shareholders,

Looking ahead to 2010, we expect to meet with unavoidable regulatory hurdles. The Korean government is in the process of implementing sweeping regulations which will result in driving down consumer prices for drug products. Other initiatives are being undertaken which will fundamentally alter the structure of the industry through M&A-driven consolidation of smaller players. Propelled by a mandate to foster globally-competitive companies with strong R&D capabilities, our regulators have announced their intention to support research-driven companies and to successively enforce ever stricter governance and transparency guidelines.

Many of these changes are positive, and we welcome the government's dedication to the ideals of a level playing field, international competitiveness and consumer welfare-driven research. Nonetheless, it cannot be denied that these initiatives are highly likely to limit Dong-A's domestic growth prospects and strain our ability to continue raising our sales figures. However, I assure you that Dong-A is among the country's best-equipped companies to deal with this environment, in light of the company's strong R&D infrastructure and new product pipeline. The future of our industry lies in innovation and global reach, and companies that lack the ability to create and market high value-added drugs both here and abroad will eventually be forced out of the market.

Shareholders!

Therefore, 2010 marks the beginning of a turning point for Korea's pharmaceutical companies. They must either make the leap onto the global stage or else face extinction in their home market. Dong-A has been preparing for this operating environment for many years, and we will continue to do our utmost to secure new growth engines and establish ourselves as a global player. To succeed in this endeavor, we have committed ourselves to carrying out the following key tasks :

1

First, we will strengthen our R&D capabilities and prepare new drug products for the global market.

Inspired by the blockbuster success of Stillen® and Zydena®, we will focus our R&D resources on the development of Dong-A's third and fourth innovative ethical (ETC) drugs. This effort will receive a tremendous boost with the 2010 completion of the company's new state-of-the-art R&D center. Final development of our new herbal product, DA-9701, treating functional dyspepsia is also expected within the year. As well, Dong-A will give the top priorities on the globalization of its new drugs standing a high chance of success by conducting clinical trials simultaneously in Korea and in the US; e.g. Udenafil (active ingredient of Zydena®) for its expanded new indications, pulmonary arterial hypertension (PAH) and benign prostatic hyperplasia (BPH) and DA-8031 for the indication of premature ejaculation.

2

Second, we will actively seek out and form new strategic alliances worldwide.

For many years Dong-A has pursued value creation through strategic tie-ups with overseas partners. We specifically look for pharmaceutical and bio-pharmaceutical companies with a high level of technological skill in new drug development and a record of rapidly carrying new drugs through approval processes. With such partners, Dong-A will achieve its goals of continued sustainable growth both through innovative R&D of new drugs, and introduction of existing products into new markets.

3

Third, we will upgrade every facet of our production lines to meet the highest global standards.

Dong-A is committed to achieving significant growth in overseas sales, and that necessarily means meeting the manufacturing standards of the world's most advanced countries. New plants and production systems are planned for this year, and we will work closely with overseas regulators to ensure that Dong-A's products are not excluded from any country's market for any reason.

4

Fourth, Dong-A will show leadership by pursuing aggressive and unique marketing strategies.

The sea-change taking place in the structure and pricing regime of the Korean industry will have a significant effect on marketing practices. Until now, the emphasis has been on point-of-sale marketing conducted by battalions of relatively low value-added marketers. Dong-A has been training up an elite force of ‘Super Medical Representatives’ who will be able to leverage the company’s existing dominance to carry out more efficient and customer-focused marketing. I strongly believe that Dong-A’s depth of experience and portfolio of famous products will allow us to significantly out-compete the domestic competition in the coming years.

5

Finally, I want to offer my sincere assurance that Dong-A shall do its utmost to fulfill its responsibilities as a soundly governed company and a responsible corporate citizen. Our company’s philosophy has always been to act with the highest respect for life, and we will never withdraw from our commitment to maintain a high level of social contribution through good times and bad.

I will close by wishing you and your family every success and happiness in 2010. You can be assured that I and everyone at Dong-A will continue to work hard to continue creating value for you as a shareholder, and for society at large through the development of products that improve people’s quality of life. Our vision is to be a respected world-class company that is recognized for the creation of innovative medicines. I know that you share that vision with us, and hope that you will continue to support Dong-A as we pursue our dream in Korea and on the global stage.

Thank you.



Shin-Ho Kang
Chairman, Dong-A Socio Group



Won-Bae Kim
CEO, Dong-A Pharmaceutical

FINANCIAL HIGHLIGHTS

Balance Sheet

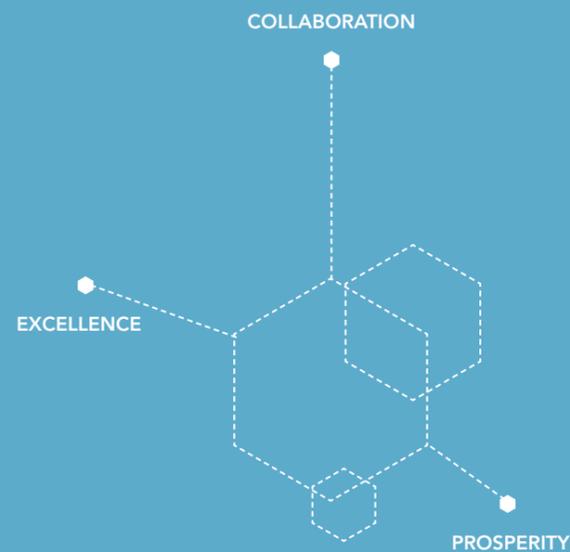
	2007	2008	2009
(Unit: KRW Million)			
Current Assets	284,328	292,704	294,691
Non Current Assets	386,641	438,911	705,344
Total Assets	670,969	731,615	1,000,035
Current Liabilities	216,188	249,134	316,017
Non Current Liabilities	126,834	132,270	103,949
Total Liabilities	343,022	381,404	419,966
Total Shareholders' Equity	327,947	350,211	580,069

Income Statement

	2007	2008	2009
(Unit: KRW Million)			
Sales	635,934	702,316	801,060
Operating Profit	72,449	81,708	91,925
Income before Income Taxes Expenses	49,939	71,007	85,094
Net Income (Loss)	-3,072	43,375	63,263

Key Performance Indicators

	2007	2008	2009
(Unit: %)			
Sales Growth (YoY)	11.3	10.4	14.1
Operating Profit Ratio	11.4	11.6	11.5
Debt to Equity	104.6	108.9	72.4
Interest Coverage Ratio	9.3	8.0	7.4
ROE	-0.9	12.4	10.9
EBITDA Margin	14.2	14.6	14.5



Search

When we talk about success, we define it the same way we always have – by asking ourselves how much we have improved the lives of the people we serve. Using this measure, we prevent ourselves from becoming complacent, and remain alert to new opportunities to create value.

We are continuously challenging ourselves to search for better solutions, never satisfied that past accomplishments will guarantee future success. Sometimes in small steps, occasionally in giant leaps, we are always moving forward.

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Is it ok?

Is it **good** enough?

“ Good enough means
nothing at Dong-A.
We believe in better. ”

Min-Young Kim
Head of Management Planning Division



Vision & Strategy

Dong-A is the heart of innovation in Korea's pharmaceutical industry. We take pride in our leadership and draw inspiration from one another as we strive to develop the best products for our customers. And by doing so, we look to the future to find opportunities to ensure our continued growth for years to come.

MISSION

- Achieve undisputed dominance as Korea's No. 1 pharmaceutical company
- Establish a firm foundation to reach global standards
- Pursue the highest R&D productivity in the industry
- Create market-oriented values

CORE VALUE

- First-in-all
- Creative pro-activeness
- Fair compensation
- Mutual respect & trust
- Open-mindedness



A respected global company through innovative pharmaceutical products

PURSuing THE NEXT LEVEL • Dong-A's Vision 2012 is the roadmap that we have developed to carry us toward our goal of becoming a respected global company through innovative pharmaceutical products. We are the No. 1 company in Korea, and possess the talent and drive to be a major player in the world market. To reach that level, Dong-A is putting these four strategies into action :

The first priority is to continue to expand our lead as the No. 1 pharmaceutical company in Korea, and to become one of the top 20 in Asia by 2012. We have sharpened our focus on existing major products and highly promising candidates in order to improve sales efficiency, with the result that each of our 21 highest-earning 'blockbuster' drugs surpassed KRW 10 billion in sales, including Stillen®, sales of which reaped KRW 85.4 billion last year. Growth has also come from strategic alliances with prestigious partners in overseas markets, such as Jordan AS in Norway and from the introduction of new ethical drugs such as Ostron® and Cozartan®.

Secondly, Dong-A is investing heavily in the development of a top-notch sales force. We believe our competitive advantage lies in our ability to deal with medical professionals on equal terms, which is why we provide specialized training courses to nurture Super Medical Representatives.

Third, we will maintain and improve our focus on strong R&D. This is a multi-faceted program that covers technological progress, product innovation and productivity improvements. In 2009, Dong-A stepped into the highly competitive international market with products developed by our own in-house research center. Zydene® (Udenafil), for example, entered US phase III clinical trials in ED patients after its technology-transfer to Warner Chilcott of the US. For Udenafil's expanded new indication of portal hypertension, Dr. Falk, which is a licensee of Udenafil for this new indication, is conducting phase II studies in Europe. Additionally, Dong-A's oxazolidinone class antibiotic, DA-7218 is proceeding smoothly through phase III trials by its US-based licensee, Trius, bringing it one step closer to full market release.

Finally, everyone at Dong-A is aware of the need to create value for the company, as well as its investors, customers, and all its stakeholders. As a cutting-edge pharmaceutical company, we have the opportunity and responsibility to improve the lives of people around the world. At its heart, that is what Vision 2012 is all about, and that is the direction in which we are expanding our efforts.

“ We don’t think in terms of
‘good enough’. Excellence is
our minimum standard. ”

Hye-Ju Lee
Associate Research Scientist,
Research Center

Moon-Ho Son
Director,
Research Center



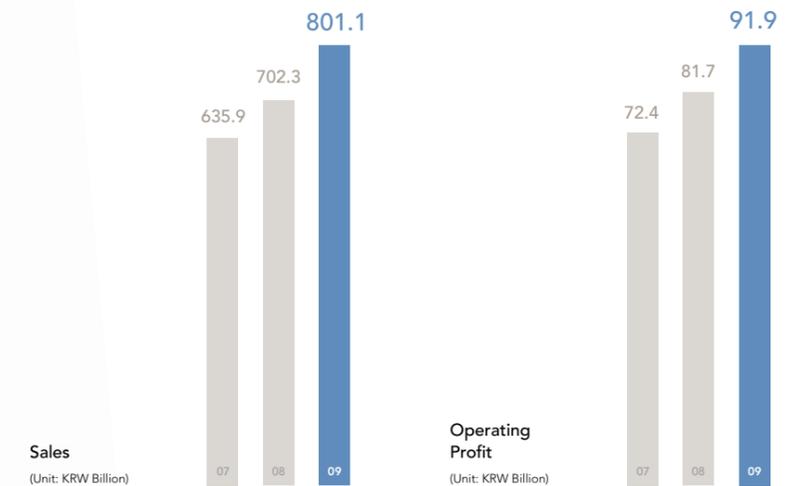
Performance Review

Led by Stillen[®] and Zydena[®], Dong-A’s 2009 sales total surpassed KRW 800 billion to maintain the company’s undisputed position at the top of the domestic industry. We have a growing reputation as a company that is capable of launching highly successful new drug products.

MEASURING OUR PROGRESS • While Dong-A was inevitably affected by the global economic downturn, falling drug prices and tightening regulations, the company was nonetheless able to post impressive results for the year and maintain its position as Korea’s No. 1 pharmaceutical company. Even in challenging times, sales rose approximately 14% to KRW 801 billion, with operating profit of KRW 91.9 billion and net income of KRW 63.3 billion.

The main drivers of the increase in sales were our flagship ethical (ETC) drugs. Stillen[®], a gastric mucosa protective agent, has grown into a major product with sales of KRW 85.4 billion, ranking it No. 1 among ETC drugs in Korea. Sales of Plavitor[®] antithrombolytic reached KRW 39.7 billion, up 32%, while Orodipine[®] hypertension treatment saw 8% growth to KRW 28.1 billion in sales. Zydena[®], an erectile dysfunction treatment, ranked No. 1 in a 2009 consumer perception survey, and Bacchus[®] recorded KRW 116.5 billion in sales. Along with rising exports of our Leucostim[®] biopharmaceutical to Turkey, strong sales of Zydena[®] to Russia have driven a 43% increase in Dong-A’s foreign sales total this year.

Underpinning these milestones has been our consistent emphasis on top-quality R&D and effective marketing practices. We firmly believe that these core strengths will enable Dong-A to increase its lead domestically and make increasing inroads in the global market.





Where does

the **big idea** come from?

“ We broaden our horizons by building on one another’s ideas. ”

Je-Hoon Kim
Associate Research Scientist,
Research Center

Heung-Jae Kim
Senior Research Scientist,
Research Center



Global Strategy

Dong-A is achieving sustainable growth by focusing on market-oriented products and nurturing value-added relationships with overseas partners. We are confident that Dong-A will continue to seize unlimited possibilities in the global pharmaceutical market.

EXPANDING GLOBALLY, CREATING VALUE • 2009 was a year of accelerated progress in the international arena. The era of ‘Global Dong-A’ continued to unfold with new export contracts being signed with partners in the US, Southeast Asia, Latin America and the Middle East as well as Eastern European countries such as Russia and Turkey.

Export agreements for Zydena® have been reached covering 30 countries, spanning Russia, Asia and Latin America. The total value of these contracts has reached US\$ 315 million, making Zydena® the No. 1 Korean pharmaceutical export. Our strategy for driving rapid increases in overseas earnings is to form close working relationships with local partners, achieve quick product registration, and then drive rapid penetration with aggressive marketing campaigns.

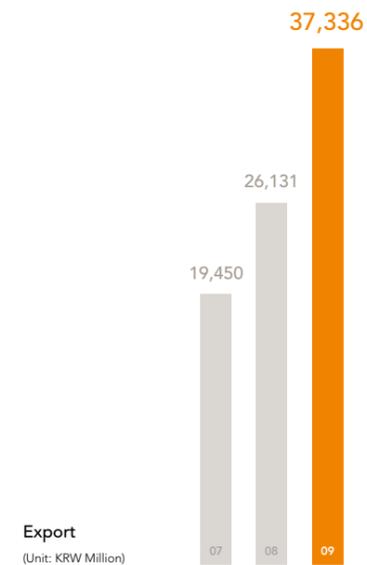
Another promising development in 2009 was the local approval in Turkey of Dong-A’s Leucostim® anti-cancer biopharmaceutical (G-CSF, neutropenia treatment). An export agreement worth US\$ 20 million was signed with Dem Ilac Pharmaceutical of Turkey in 2007, and approval processes have been ongoing since then.

Leucostim® is the first biosimilar ETC product to be registered and sold in Turkey, and its approval is a major step toward penetration of the higher value-added European market. Turkey’s market related on Leucostim® is estimated to be US\$ 30 million in size, and Dong-A intends to leverage its technical and marketing capabilities to rapidly grow its market share.

Building on Leucostim®’s foothold on the doorstep of Europe, Gonadopin® is in the pipeline for registration in Turkey, Russia and other European countries. Dong-A has formed strategic plans for penetration of the EU market, in step with the progress of Korea-EU FTA negotiations, and we are well-positioned for growth in the US\$ 15 billion bio-pharmaceutical markets in Europe.

Stillen®, meanwhile, is now being marketed in the Philippines following the conclusion of an export agreement. Given its proven efficacy in the Korean market and its very low side effects, we are confident that this flagship product will post strong growth in overseas sales. Further, since the 1990s, Dong-A has recorded steadily increasing exports of Gonadopin® infertility treatment and other bio-pharmaceutical products to Southeast Asia, Latin America, India and other overseas locations. The total value of the company’s export contracts for bio-pharmaceutical products is now in excess of US\$ 80 million. Another valuable export brand is Bacchus® energy drink, which is now marketed in more than 30 countries, including the US, China and the Philippines. Localization is a key element of Dong-A’s strategy of one day extending the reach of Bacchus® around the world.

Going forward, we will continue to pursue global growth opportunities by building up the company’s export infrastructure and developing our overseas sales force. Dong-A is willing to make long-term commitments to global markets and to maximize value by tailoring its products to the needs of local customers.



“ Dong-A values the input of every individual, but teamwork is what ultimately gets things done. ”

Hyun-Hee Kwak
Senior Research Scientist,
Research Center



Strategic Alliances

Dong-A is creating growth opportunities by leveraging the power of partnership. Together with prestigious partners in overseas markets, we are accelerating innovation and expanding our commercial potential.



COUNTRIES WITH EXPORT CONTRACTS

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

PURSuing STRONG PARTNERSHIPS • Faced with rapidly-changing market conditions and intense competition, it is often practical to form close partnerships with other companies, and grow these relationships over a long term for mutual benefit. Dong-A has followed this approach in key markets where local expertise is strongly needed, particularly Japan, the US and Europe.

One excellent example is our firm partnership with Trius Therapeutics (US). DA-7218 (TR-701) is a second-generation oxazolidinone antibiotic originally developed by Dong-A, and Dong-A licensed-out the oral and injectable forms of DA-7218 to Trius in 2007, which served as the basis of successful faithful partnership.

After successful completion of US phase I clinical trials in 2008, Trius conducted a phase II clinical trial of DA-7218 in patients with cSSSI caused by gram (+) bacteria, especially MRSA. In this trial, once daily oral treatment of DA-7218 for 5~7 days resulted in 98% clinical cure rate at the dose to be used in phase III trials. The commercial prospects for DA-7218 are boosted by the fact that DA-7218's high potency, bactericidal activity, once daily treatment, shorter treatment duration and lower overall treatment cost will increase patient outcomes and compliance, which are distinct advantages of DA-7218 over its competing products. Trius is initiating phase III clinical trials in 2010. The global market, which DA-7218 is targeting, totaled about US\$ 1.1 billion in 2008, and Dong-A is confident that DA-7218 will capture a substantial share of that market upon its approval.

As for Zydena[®], another new drug developed in house, is currently under US phase III clinical trials by our partner, Warner Chilcott, for the indication of ED. It targets approximately 1,150 subjects in 80 clinics, which represents a great opportunity to confirm the safety and efficacy of Zydena[®] (Udenafil) as a potential global new drug. We anticipate the completion of the US phase III clinical trials in early 2011, after which we will globally launch Zydena[®] and increase the market share with its differentiations such as ideal duration and great safety.

In-licensing also represents an attractive opportunity for collaborative growth. Among Dong-A's in-licensing partners are Aska (Japan), Schering (Germany) and Nycomed (Switzerland). Scheduled in-licensing launches for 2010 include Actonel[®], an osteoporosis treatment owned by Sanofi-aventis, and Cozaar Plus[®], a Merck product. Both are slated for domestic release in the first half of the year.

To make our advance on the global market proceed more efficiently, Dong-A will upgrade its R&D network and develop our relationships with top research organizations and experienced partners. In a world of limitless competition, Dong-A sees unlimited opportunities to strengthen its position in the global market and service more people through carefully-managed international partnership.

Why should we

question what's
already accepted?

“ We never stop looking for
new ways to create values
and win in the future. ”



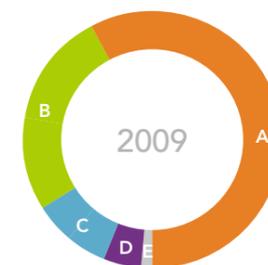
Product Overview

Everything we do is focused on providing a happier and healthier life for the people whose lives we touch. We research, we collaborate and we innovate – and ultimately we produce products that meet the needs and expectations of our customers.

DRIVING TO ACHIEVE EXCELLENCE • In addition to our many new in-house developed products and much-loved signature energy drink Bacchus®, Dong-A boasts a strong product line led by 16 ETC drugs and 5 OTC products, each with sales above the KRW 10 billion mark.

In the ethical (ETC) field, our flagship products are Stillen® gastritis medication; Zyderna®, an erectile dysfunction drug; Nicetile®, a nootropic drug; Opalmon®, a thrombolytic; Orodipine®, a hypertension treatment; and Plavitor®, an antithrombolytic. Together, their sales volume in 2009 amounted to KRW 244.3 billion. Additional growth in ETC sales has come from: Talion®, an antihistamine drug; Glimel®, a hypoglycemic agent; Growtropin®, a biopharmaceutical growth hormone analogue; and Gaster®, a gastritis treatment.

For OTC & health care products, Panpyrin®, Circulan®, Bigen Cream Tone®, Morning Care®, Garglin® and others rank among Korea's most popular consumer brands, and all enjoy strong and steady sales growth.



Sales by Division
(Unit: %)

A. Ethical Drugs (ETC)	57.8
B. OTC & Health Care Products	26.2
C. Medical Equipments & Diagnostics	10.1
D. Exports	4.7
E. Others	1.2

BUSINESS BY SECTOR

• **Ethical Drugs (ETC)** Dong-A's ethical (ETC) portfolio accounted for 58% of sales in 2009. We pressed forward with our strategy of targeting clinics and hospitals, which paid off in the form of a 16% annual rise in ETC sales volume.

In 2010 we will continue strengthening our sales infrastructure and intensifying our marketing of ETC drugs. Bio-pharmaceutical products are particularly highlighted in today's global market, and our R&D efforts are orienting toward them in order to secure a niche for Dong-A in the international arena.

• **OTC & Health Care Products** Bacchus® is Dong-A's most popular and recognized consumer product, and has been a steady source of profit for several decades. It continues to post rising sales at home, and is recording overseas gains thanks to localization strategies and innovative marketing. Other reliable performers include Panpyrin®, Korea's No. 1 OTC cold medicine since its launch in 1956, and Circulan®, which has been popularized domestically as a gift for the elderly.

Several mainstay Dong-A products are well-established in the domestic OTC market, among them Garglin®, Bigen Cream Tone®, Morning Care® and various health supplements. Working together with our large-chain distributors in the pharmacy, discount store and convenience store industries, our sales teams are recording excellent results in driving sales of these well-known brands.

- **Medical Equipments & Diagnostics** Dong-A has a Medical Equipments division that has operated as a local wholesale distributor for Biomet Korea, a Korean branch office of US's Biomet, since June of 2008. Biomet manufactures mainly orthopedic hip and knee reconstruction products, micro-fixation products and 3i dental implants. Dong-A actively cooperates with its US partner in co-marketing activities to capture the largest share of the domestic market.

In addition to our relationship with Biomet Inc., Dong-A provides Korea's major hospitals with high-quality medical supplies from Abbott Vascular (Abbott Korea) and Medtronic (Medtronic Korea). Building on our reputation as a reliable and professional local partner, Dong-A will continue to develop such redistribution relationships with overseas suppliers.

Dong-A also operates a Diagnosis division, established in 1984, that has the mission of improving public health in Korea by providing increased access to high-quality diagnostic products. The division has developed and commercialized a third-generation HIV diagnostic reagent, and supplies the domestic market with other diagnostic reagents from overseas suppliers.



Key Products

Innovating to
Improve

Quality of Life



Stillen®

Zydena®

Opalmon® Tab.

Plavitor® Tab.

Orodipine®

Growtropin® Inj.

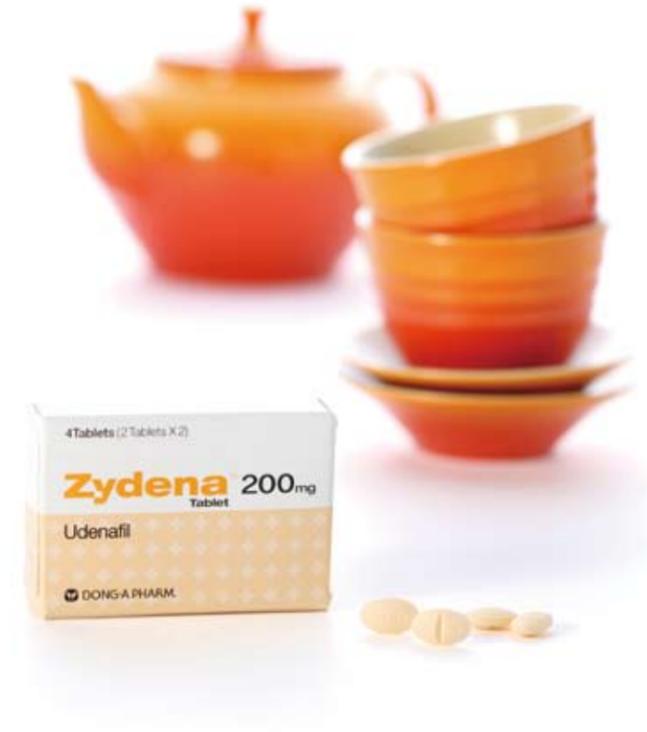
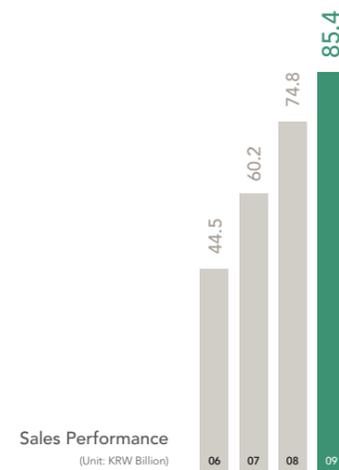
Bacchus®

Dong-A is proud of the role we have played in improving the health and lifestyles of countless people. Whether in the areas of new drug development, OTC products, active ingredients, diagnostic reagents or medical equipment, Dong-A is active in finding new and innovative ways to serve more people in the global market.



Stillen®

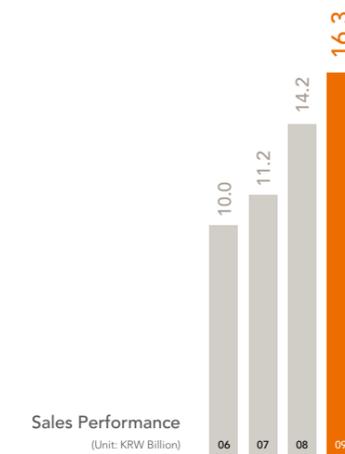
Stillen® is a gastritis treatment made from Eupatilin and Jaceosidin, which are extracted from *Artemisia asiatica*. It was Dong-A's first commercial product to be developed in-house. Launched in 2002, it has steadily climbed in market share to now command 40% of domestic gastric mucosal protective drug sales. In 2009, Stillen® posted sales of KRW 85.4 billion, up 14% from the previous year. Stillen® is seen in the Korean industry as a model for new drug development, not only for the success of its initial development and launch, but also for its sustained growth through post-release research and effective marketing.



Zydena®

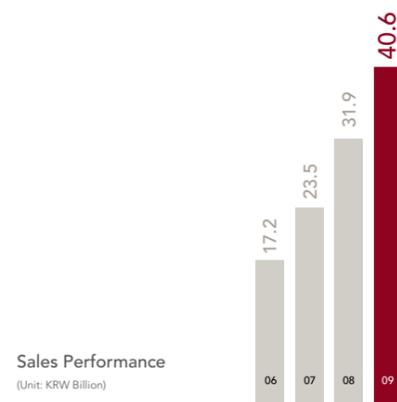
Zydena® is an oral erectile dysfunction treatment, the first such drug to be developed in Korea, and the fourth in the world. It has been growing at top speed in the erectile dysfunction treatment markets. Highly regarded in Korea for its strong efficacy, appropriate duration and enhanced safety, Zydena® has also found a powerful reception in overseas markets. Since 2006, Dong-A has signed export contracts worth US\$ 300 million with distributors in Russia, Latin America and Southeast Asia. Phase III trials in the US began in October 2009, and we are confident that Zydena® will soon be approved for commercial launch in the US market.

Zydena® is also undergoing multiple clinical trials targeting a variety of patient groups. In 2009, trials for Zydena®'s single daily dosage formulation were successfully concluded. Urology clinic patients involved in the study selected Zydena® as their most preferred medication, indicating that the drug is catching on not only in the medical community, but among patients as well.





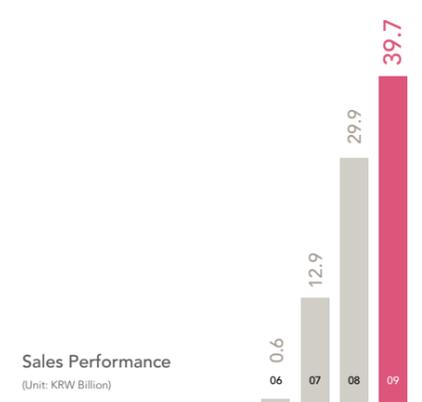
Opalmon® Tab.
Thrombolysis



Opalmon®, an oral derivative of prostaglandin E1, was first identified as a treatment for Buerger's Disease, which causes acute inflammation and thrombosis of blood vessels. In 2001, the drug's range was expanded to allow treatment of Lumbar Spinal Stenosis (LSS), and its sales have since grown steadily from KRW 1.4 billion in 2001 to KRW 40.6 billion in 2009, a CAGR of 53.75%. The potential domestic LSS market is believed to be over KRW 100 billion, and Opalmon®, as Korea's only LSS treatment, therefore has a great opportunity to establish itself as a solid member of Dong-A's line of blockbuster drugs.



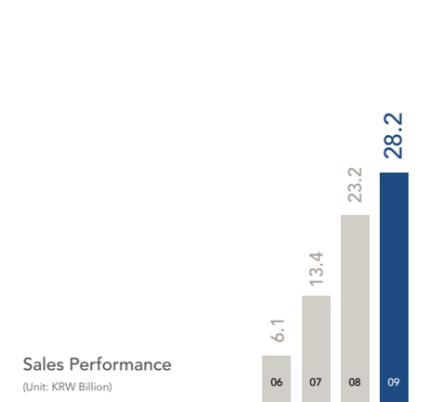
Plavitor® Tab.
Antithrombolytic



Plavitor® is a generic version of Plavix®, a cardiovascular drug with clopidogrel as its main ingredient, which was developed by Sanofi-aventis to treat cardiovascular ailments. By selectively blocking the binding of ADP to its receptor on platelets, clopidogrel effectively reduces symptoms of cardiovascular patients suffering stroke, myocardial infarction or peripheral arterial symptoms. Plavitor®'s superiority to existing antithrombolytic agents lies in its rapid effectiveness, convenient single daily dosage, reduced GI bleeding and safety for a broad range of patients, including the elderly. Clinical studies have also shown it to be safer than aspirin therapy. These advantages have led to its being widely prescribed at Korean hospitals and clinics. First released in November 2006, Plavitor® holds the highest domestic market share among clopidogrel generic drugs with 2009 sales recording KRW 39.7 billion, and 2010 forecasts pointing upwards of KRW 45 billion.



Orodipine®
Hypertension



Orodipine® is a calcium antagonist comprising amlodipine orotate as its active ingredient. It was released in January 2006 to target a hypertension market that is growing in line with Korea's rapidly aging population. It acts to lower blood pressure by blocking the entry of calcium ions into smooth muscle cells, thereby inhibiting vasoconstriction. In a domestic amlodipine market worth about KRW 200 billion, Orodipine® now controls a 14% share, with 2009 net sales totaling KRW 28.2 billion and 2010 forecasts exceeding KRW 40 billion. With the population of hypertension patients rising steadily, this drug is expected to continue making a major contribution to Dong-A's sales in the coming years.



Growtropin® Inj.
Growth hormone

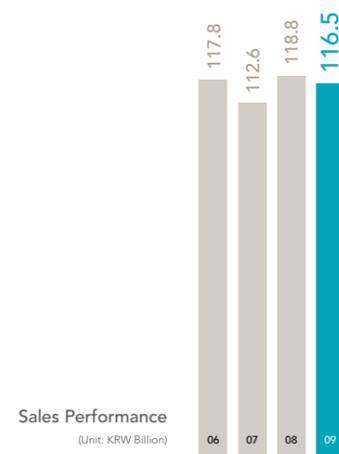


Growtropin® is Korea's first bioengineered growth hormone drug. It is clinically applied for the treatment of short stature resulting from pituitary hormone deficiency, and is marketed in 4IU, 12IU and 16IU forms for convenient dosing. A 30IU pen cartridge form was released in 2008, and has been favorably received by both doctors and patients. Growtropin® solidified its share in the bio-pharmaceutical product market by recording KRW 15.6 billion in net sales for 2009.



Bacchus®

Bacchus® has been a much-loved brand and a Korean icon since its first release in 1963. Its enduring popularity is proven by its 2009 sales volume of KRW 116.5 billion. The drink received its name from Dong-A's chairman, Shin-Ho Kang, who saw a statue of Bacchus, the god of wine and harvest, during a visit to Hamburg. With a history now spanning nearly half a century, Bacchus® is a steady source of profit that has helped to finance Dong-A's investments in R&D and novel drug launches, propelling our rise to the top of the nation's pharmaceutical industry. Using localization strategies tailored to each market, Bacchus® is gaining recognition and finding new fans in one overseas market after another.



ETHICAL (ETC) DRUGS

Gaster® Tab.

Peptic ulcer treatment

Gaster® was released in 1985 by Astellas of Japan following years of research to develop a safer and more effective peptic ulcer treatment. A highly effective drug with full FDA approval, Gaster® is now prescribed in 140 countries around the world. Its active ingredient is 20 mg of Famotidine, a histamine-2 receptor antagonist that strongly inhibits production of gastric acids. Gaster® is applied for the treatment of various types of peptic ulcer complaints, including upper gastrointestinal bleeding, reflux esophagitis and gastritis. It also has a wide safety margin (LD50/ED50) and fewer side effects than competing drugs. Its sales reached KRW 18.5 billion in 2009, while sales for 2010 are expected to total KRW 19.1 billion.

Cozartan® Tab.

Hypertension

Cozartan® is an ARB (angiotensin receptor blocker) product launched in November 2008 to target the fast-growing hypertension market. It acts to lower blood pressure by blocking the binding of angiotensin II, a strong vasoconstrictor, with its receptor. It is particularly effective at treating dry cough, one of the chief side effects of existing ACE-I drugs. As a synthetic drug, Cozartan® is differentiated from existing bio-derived ARB products. Its sales climbed to KRW 13.5 billion in the first year after its launch, and sales are expected to top KRW 18 billion in 2010. Together with Orodipine®, Cozartan® will help Dong-A to claim an ever-increasing share of the domestic hypertension market.

Nicetile® Tab./Powder

Nootropics

Released in 1994, Nicetile® is Dong-A's premiere ETC drug. It is a nootropic that acts to increase the brain's cognitive functions. The active ingredient is a compound found naturally within the body, which readily crosses the blood-brain barrier and stimulates the supply of oxygen to brain cells. It has few or no side effects and is highly safe, being widely prescribed by hospitals and clinics nationwide since its release. Nicetile® recorded sales of KRW 34.3 billion for 2009, making it Dong-A's most popular ETC product.

Glimel® Tab.

Diabetes

Glimel® is a commonly-prescribed oral hypoglycemic agent containing glimepiride as its main ingredient. It is a generic version of Amaryl®, which has been proven safe and effective through extensive clinical testing. Glimepiride acts to stimulate insulin secretion from Islets of Langerhans cells in the pancreas, resulting in lowered blood pressure and increased insulin sensitivity in peripheral tissues, which in turn raises glucose uptake. Glimel® significantly reduces the risk of low blood sugar, a common side effect of existing sulfonylurea drugs, and causes no weight gain. It is a synthetic drug produced using patented particle-fining technology that enhances the drug's dissolution rate and raises its bioavailability relative to other generics. Rigorous testing has shown Glimel® to be a biological equivalent of Amaryl®. Sales for 2009 recorded KRW 15.1 billion, making Glimel® the nation's top generic drug, according to IMS data.

Talion® Tab.
Antihistamines

Talion® is a second-generation antihistamine launched in 2004, and contains bepotastine besilate as its active ingredient. It exhibits advantages of rapid effectiveness and high H₁ receptor selectivity, helping it to its No. 1 ranking in antihistamine prescriptions three years after its launch (IMS data). Exhibiting strong inhibition of IL-5 production and minimal drowsiness, clinical studies have also confirmed the drug's safety. Its range of applications includes allergic rhinitis and pruritis accompanying skin ailments, and chronic hives. Since its release, Talion® has risen to the top position in domestic market share, with 2009 sales of KRW 18.6 billion.

Lipinon® Tab.
Arteriosclerosis

Lipinon® is a hyperlipidemia treatment that was released in June of 2008, recording sales of KRW 9.6 billion before the end of the year. Strong growth continued through 2009, amounting to KRW 30.9 billion for the year, establishing Lipinon® as one of Dong-A's flagship brands. Lipinon® is a generic version of Pfizer's Lipitor®, one of the world's bestselling drugs. It contains atorvastatin as its active ingredient, which is effective in quickly reducing serum cholesterol levels while having reduced side effects, such as muscle pain. While existing statin drugs must be taken at bedtime, Lipinon® offers increased convenience and maximizes patient compliance by being able to be taken at any time, regardless of food intake. Worth about KRW 200 billion in 2009, the domestic atorvastatin market is expected to reach KRW 250 billion this year. Lipinon® ranks No. 1 in prescription volume among more than 30 generic versions of atorvastatin now in the market. Its 2010 sales are projected to surpass KRW 45 billion.

OTC & HEALTH CARE PRODUCTS

Panpyrin®
Cold medicine

Dong-A's flagship OTC product for over 50 years, Panpyrin® is synonymous with cold relief in Korea. Since its launch in 1956 in tablet form, it has evolved through 'Panpyrin® Solution,' 'Panpyrin® S', and 'Panpyrin® F,' assuming its current brand name, 'Panpyrin® Q', in 2007. Panpyrin® Q augments the previous formula with 5mg of tipepidine citrate to strengthen antitussive and mucolytic effects, thereby broadening the medication's scope beyond cold, achiness and headache to also treat cough and phlegm. The packaging was modernized to a 5-bottle pack, each fitted with a convenient one-touch-opening cap, and the labeling was revamped to make the 'cold', 'achiness' and 'headache' indications more easily recognizable. With 2009 sales of KRW 19.8 billion, Panpyrin® maintained its No. 1 position with 65% market share.

Circulan®
Blood circulation

Taking its name from the word 'circulate', Circulan® is a synthetic mixture of traditional ingredients known to promote good blood circulation in the body. It comprises extract of Hawthorn berries, which are widely used in Asia to safely treat cardiovascular ailments in the elderly without causing unpleasant side effects, along with extracts of Ginko leaf, Mellisa leaf and garlic oil. For 15 years since its first release in 1994, Circulan® has been a popular tonic for enhancing blood circulation and treating age-related illnesses, and is often purchased as a gift for the elderly.

Garglin®
Mouth wash

Released in 1982, Garglin® is the product that created the mouthwash market in Korea. To revive flagging sales, the brand underwent a revamp in 2009 to become identified as a total oral care product, adding cavity prevention and germ-killing action to its existing odor-fighting effects. Garglin® recorded a respectable sales total of KRW 16.6 billion for the year, sufficient to maintain its hold on the No. 1 market position. It comes in mild, regular, strong, therapeutic and children's strength, as well as 'Garglin® Fresh' spray and 'Garglin® Coolkis'.

Bigen Cream Tone®
Hair color products

Bigen Cream Tone®, a cream-type hair dye, is imported ready-to-use from HOYU Co., Japan's No. 1 hair dye manufacturer. Dong-A provided strong marketing support for Bigen®'s brand extension in 2008, releasing 'Bigen® Speedy Conditioning Color', a fast-acting hair dye and conditioner, and 'Bigen® Fragrant Hair Color', which replaces the typical hair dye odor with a fruity-floral scent. Sales volume in 2009 came to KRW 15.5 billion, ranking it among the nation's leading hair dye brands. With planned additional production launches and an expanded distribution network, we look forward to continued growth of the Bigen® line.

Morning Care®
Hangover drinks

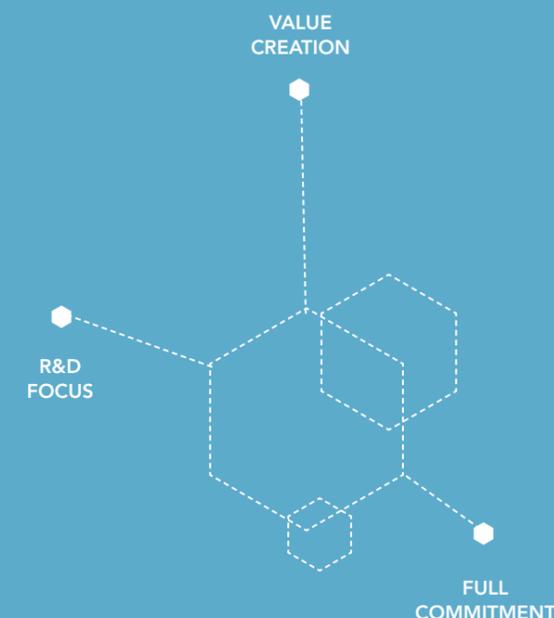
Morning Care® combines the anti-alcohol effects of existing hangover remedies, and introduces new efficacies in protecting the liver and easing symptoms such as headache, nausea, halitosis and thirst. The pleasant flavor and mild aroma have made Morning Care® a favorite morning-after drink among the young generation, and its popularity is growing through experience-based marketing campaigns and giveaway events. Morning Care® has enjoyed impressive growth since its launch four years ago, recording KRW 12.2 billion in sales for 2009.



As the world gets smaller, our opportunities multiply. The technologies that shrink time and space also bring new customers and markets within our reach. More than that, they inspire us to look further ahead, to invest in growth and to make the most of each new possibility.

Dong-A's spirit is still that of a pioneer, and our enthusiasm will never fade.

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Reach



R&D FOCUS

WE AIM HIGHER.

Our continual investment in research and development has secured Dong-A's position at the forefront of Korea's pharmaceutical industry. Armed with innovative products and an experienced sales force, we are poised to advance in the global market.

IMAGE DESCRIPTION The New R&D building at Dong-A Research Center campus in Sanggal, scheduled to open in October 2010

Research & Development

Dong-A has poured effort and resources into strengthening a competitive power through world-class R&D platform to launch innovative products. Our new high-tech research center will be completed in 2010, and serve as the headquarters for our drive into advanced foreign markets.

FOCUSING ON WHAT REALLY MATTERS

Dong-A's vision is to become a respected global pharmaceutical company through innovative pharmaceutical products. We believe that the only way to achieve this goal is to have a highly competitive R&D capability and an active pipeline of new drug candidates.

Strengthening Our Portfolio of Newly-Developed Drugs • The big success of Dong-A's new drugs on the market since 2000 grounded for Dong-A to advance to the global market. Our greatest initial success was Stillen[®], a gastric remedy based on natural mugwort extract. It was launched in 2002 and became a domestic successful new drug,

recording KRW 85.4 billion in sales in 2009. The know-how we gained from Stillen[®] was applied to the subsequent development of naturally-derived gastritis medications and gastroprokinetics. We also learned that we could readily expand our research field into functional dyspepsia and irritable bowel syndrome.

Another example is Zyderna[®], launched in 2005 as Korea's first and the world's fourth treatment for erectile dysfunction. With proven efficacy from multiple clinical investigations, Zyderna[®] has competed successfully with world-famous imported medications, logging total sales of KRW 16.3 billion last year. This experience has caused us to further explore medications in the urology field, including treatments for premature ejaculation and to expand new range of indications by utilizing Zyderna[®]. Going forward, we will also emphasize research in the metabolic endocrinology arena, particularly diabetes medications, as promising drivers of international growth.



Developing New Bio-pharmaceuticals for Global Markets • Bio-pharmaceuticals are the fastest-growing segment of the pharmaceutical market. Dong-A has long recognized that bio-pharmaceuticals will play an important role in shaping the future of the pharmaceutical industry, and we have been active in bio-pharmaceutical research for more than 20 years.

Using genetic recombination technology and animal cell cultures as primary research tools, Dong-A has been researching a variety of market-oriented bio-pharmaceutical products such as growth hormones, G-CSF and IFN-α. We have also developed second-generation bio-pharmaceuticals using PEGylation and microsphere technologies to modify existing products. Furthermore, Dong-A is actively developing and exporting genetic recombination products for domestic sale as well as export.

One particularly exciting new technology is naked DNA gene therapy, which we are now testing in the clinic for the treatment of cancer using TRAIL (Tumor Necrosis Factor-Related Apoptosis Inducing Ligand), as well as chronic hepatitis B treatment. Our research scope is also expanding into therapeutic monoclonal antibodies and we are optimizing our systems to ensure that our R&D and production systems meet international standards from an early stage of development.

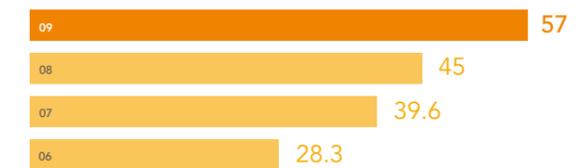
Securing Incrementally Modified Drugs by Focusing on Drug Delivery Systems

• Dong-A focuses on developing big incrementally modified drugs in a timely manner whose efficacy is proven through clinical tests by securing the drug delivery system we have pursued for long. During our many years in business, we have realized that the initial launch of the first generic drug can create a temporary surge in profits, but that any short-term advantage is soon degraded by the fierce competition among generic manufacturers, as well as the regulators' unpredictable drug pricing policies. The key to sustainable profitability is therefore in the development of core technologies that competitors cannot easily imitate, and leveraging our size and market power to maximize returns.

As such, Dong-A strives to develop market-friendly products, and in order to differentiate them, we are particularly pursuing the creation of new drug formulations that enhance the efficacy of existing therapeutics. This R&D process is effectively establishing Dong-A as the holder of uniquely specialized technologies that will enable us to compete aggressively in the international arena.

R&D Investment

(Unit: KRW Billion)



All components of Dong-A's research infrastructure – personnel, equipment and systems – are being upgraded to the highest international standards.

Lifting Sales with Big Brand Product Releases • Our portfolio of big brand OTCs includes many popular products, such as Bacchus®, Panpyrin® and Circulan®, that record steady sales year after year. Based on our OTC development know-how, we focus on launching strategic big brand OTCs catering to consumer needs. Paired with our rigorous clinical testing to raise the therapeutic efficacy of OTCs, Dong-A's experience with the promotion of blockbuster products gives us a core advantage in this key market segment.

PURSUIING GLOBAL STANDARDS IN R&D

Ever since our company's foundation, we have set the standard for industry performance by continually investing in R&D. Dong-A's first dedicated Research Center was opened in 1977, and has progressed steadily from the development of Korea's first domestically-produced antibiotic ingredients, to the launch of new biopharmaceuticals created using genetic recombination technology. In the 21st century, Dong-A has demonstrated its capabilities in R&D with the release of in-house developed drugs like the blockbuster Stillen® and Zydene®.



We are in the process of a strategic shift that will increase our R&D spending above its current level of 10% of sales. All components of Dong-A's research infrastructure – personnel, equipment and systems – are being upgraded to the highest international standards. We use our relationships with local, foreign partners to conduct as much joint R&D as possible. The most important element of our R&D activities is of course our top-notch scientists, and we support them in every respect. By 2013, we plan to have increased their numbers to 370.

Dong-A's new, large-scale research center is now in the final stages of construction in Korea. The facility was designed by HDR CUH2A of the US. It will foster and encourage open collaboration, inspiration and innovation among our professional research team members. Equipped with state-of-the-art green technology, the new center will open its doors in 2010, and serve for many years as the center of our global drug research efforts.

R&D Pipeline

CODE NAME (BRAND NAME)	INDICATION	DESCRIPTION	LATEST PHASE	LICENSING AVAILABILITY
DA-8159 (Zydena®)	Erectile dysfunction	PDE-V inhibitor	Launched (Korea) Ph III (USA)	Available for some territory
DA-8159	Portal hypertension	PDE-V inhibitor	Ph II (Europe)	Available for some territory
DA-8159	BPH, PAH	PDE-V inhibitor	Ph II	Available
DA-6034	Gastritis, Dry Eye	Flavone derivative	Ph III Ph I	Available Available
DA-7218	Infection (ABSSI)	Oxazolidinone class antibiotic	Ph III (USA)	
DA-6650	Functional dyspepsia, Gastroparesis, Acute gastric stasis	5-HT4 Agonist	Ph I	Available
DA-1229	Type 2 diabetes	DPP-4 inhibitor	Ph I	Available
DA-8031	Premature Ejaculation	SERT inhibitor	Ph I	Available
DA-9701	Functional dyspepsia	Herbal Extract	Ph III	Available
DA-3801 (Gonadopin®)	Infertility	Recombinant FSH	Launched (COH) Ph III (Anovulation)	Available for some territory
DA-3803	Infertility	Recombinant hCG	Ph I	Available
HB-110	Hepatitis B	Therapeutic DNA vaccine	Ph I	Available
DA-3021	Hepatitis C	Pegylated-Interferon-α	Ph I	Available
DA-3031	Neutropenia	Pegylated-G-CSF	Ph II	Available
DA-3030	Diabetic Neutropathy	G-CSF	Ph II	Available
DA-3201	COPD, Asthma	Recombinant basic fibroblast growth factor	Pre-clinical	Available
DA-3051	Multiple sclerosis	Interferon-β	Ph I (Brazil)	Available
DA-3607	Brain tumor	TRAIL	Ph I	Available
DA-3091	Type 2 diabetes	Sustained-release formulation of exenatide	Ph I	Available

Pipeline Item Descriptions

DA-8159; Udenafil; Zydena®

Dong-A launched Udenafil in December of 2005 as the fourth oral entrant to ED market in Korea and successfully completed a phase II trial in the USA. On the train of the successful USA phase II trial and positive EOP II meeting with the US FDA, in early 2009 Dong-A sealed a licensing agreement with Warner-Chilcott for ED indication for the US territory and Warner-Chilcott is actively conducting pivotal phase III trials in the USA. Udenafil also shows great potentials for the treatment of non-ED (non-erectile dysfunction) indications such as BPH (benign prostatic hyperplasia), PAH (pulmonary arterial hypertension), PH (portal hypertension), etc. For the indication of PH, Dong-A has been already in partnership with an EU based licensee, who initiated in early 2008 phase II trials with Udenafil in the UK, Germany and other EU countries. In order to develop Udenafil in earnest for the treatment of BPH and PAH, Dong-A is planning to file INDs and initiate multi-national phase II studies in 2010.

DA-6650

DA-6650 is a benzamide-class prokinetic drug with a property of 5-HT₄ receptor agonism. While a well-known 5-HT₄ receptor agonist, cisapride, was withdrawn from the market in 2000 due to fatal arrhythmia, DA-6650 is not expected to be at such risk. Data on DA-6650 indicate that it is better than cisapride and mosapride in the measurements of gastric emptying, motility in small intestine, antiemetic effect, alleviation of visceral hypersensitivity, and so on. A phase I study for DA-6650 in healthy volunteers was initiated in the 4Q of 2009.

DA-1229

DA-1229 is a potential anti-diabetic compound of the dipeptidyl peptidase-4 (DPP-4) inhibitor class. In the pre-clinical studies, the PK-PD correlations between DPP-4 inhibition of DA-1229 and its corresponding plasma concentrations were analyzed in several animal models, in comparison with one of the same class products on the market. DA-1229 showed better profiles of EC₅₀, clinically effective concentration at which 80% of plasma DPP-4 is inhibited, over the comparator in mouse, rat, dog and monkey. A phase I study, which was started in May of 2009, is designed to investigate not only pharmacokinetics but also pharmacodynamic efficacy parameters of DA-1229 in healthy human. Dong-A's plan is to initiate a phase II study in the second half of 2010.

DA-6034 : Dry Eye

DA-6034, a derivative of eupatilin, is under development for the treatment of dry eye syndrome. Chronic dry eye syndrome is a condition characterized by patients' inability to produce appropriate amount and quality of tears to keep the eye healthy and comfortable. The absence of efficient prescripational treatments for dry eye is making the majority of dry eye patients merely rely on OTC artificial tear products which temporarily lubricate eyes and provide only limited relief. DA-6034 with great safety profile is expected to be an excellent prescripational drug for dry eye by stimulating mucin secretion, increasing fluid secretion, controlling inflammation, and enhancing wound healing. DA-6034 will enter a phase I study in Korea in the 1Q of 2010.

DA-3031

Dong-A developed and launched a rhG-CSF product named Leucostim® in 1999 for the treatment of anticancer-induced neutropenia. To avoid the inconvenience of daily injection during each chemotherapy cycle, Dong-A is developing a long-acting PEG-G-CSF (DA-3031) that can be administered only one time per cycle. In animal studies, DA-3031 showed comparable efficacy and safety to its competitor on the market whose annual worldwide sales is approximately \$ 3.7 billion. A phase I trial for DA-3031 was completed in 2009 and a phase II trial is planned to start in the 1Q of 2010 in patients with solid cancer.

DA-3607

DA-3607 is a non-replicative adenovirus carrying apoptosis inducer gene, TRAIL (TNF-Related Apoptosis Inducing Ligand), which delivers TRAIL gene into solid tumors and induces cancer specific cell death. In pre-clinical studies this gene therapeutic medicine showed potent tumor suppressor activities without significant toxic side effect against malignant brain tumor, for which no good treatment options are currently available. A phase I clinical trial for DA-3607 in patients has been on-going in Korea.

DA-3091

DA-3091 is the sustained release microspheres encapsulating Exenatide, and it shows well-controlled sustained release of Exenatide from the microspheres. Compared to other long-acting GLP 1 agonists under development for once weekly treatment, DA-3091 shows a potential to be developed as biweekly or monthly preparation, which will improve patients' compliance upon commercialization. To assess the pharmacokinetics/pharmacodynamics and safety of DA-3091 in human, an IND for phase I clinical trial in Korea was filed in December 2009 and dosing to subject is scheduled in the 1Q of 2010.





VALUE CREATION

WE DELIVER GREATER VALUE.

Dong-A places the highest priority on ensuring the integrity of the company's management and upholding the rights of its shareholders. We have been steadfast in nurturing a company culture in which everyone respects the value that is inherent in ethical conduct.

Corporate Governance

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

EARNING THE TRUST OF OUR STAKEHOLDERS

In 2009, there have been visible continued efforts by the company to make corporate governance more transparent and create a rational governance structure. According to the 2008 Governance Evaluation Report published by the Korea Corporate Governance Service, Dong-A ranked 73 out of 685 listed companies in Korea. Notably, we received a high score in the category of shareholder rights protection, in comparison to other listed companies in Korea.

Dong-A is making steady progress in raising the level of its overall corporate governance to meet global standards. Outside Directors are playing a more active role in the Board, and we have set a long-term objective of allowing nominations of more outside Directors at the company's AGM and putting the outside nominees to an open shareholders' vote.

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

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

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

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



Dong-A is keenly aware that maintaining the trust and respect of our shareholders and customers is the basis of our ability to build sustainable value.

Furthermore, in November of 2009 Dong-A received a top employee stock ownership award from Korea's Ministry of Labor. The award recognized the success of the company's employee stock ownership plan in rewarding the efforts of employees, improving their awareness of economic and financial issues, and aligning the incentives of Dong-A's workers with our customers and shareholders. The plan has been offered to all employees and represents a total number of 357,395 shares (3.42% of issued shares) as of December 2009. An employee has been allowed to buy up to a certain number of shares, depending on the position he or she holds within the company, for a maximum amount of KRW 12 million per year, and Dong-A would make an attractive 100% matching contribution to the plan. Any shares bought will be subject to a 1-year holding requirement.

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



Board of Directors

INSIDE DIRECTOR

Kim, Won-Bae

Chief Executive Officer and Chairman of the Board

- 2007 Chairman of Board
- 2004 Chief Executive Officer
- 2003 Director
- 1996 Chief Researcher, Research Center
- 1990 Seoul National University, Ph.D. in Microbiology
- 1971 Seoul National University, M.S. in Pharmacy

Kang, Jung-Seok

Executive Vice-President and Chief Operating Officer

- 2009 Sungkyunkwan University, M.S. in Pharmacy
- 2007 Executive Vice President and Chief Operating Officer
- 2005 Director
- 2005 Head of Marketing & Sales
- 1999 Head of Medical Equipment
- 1996 Head of Business Management
- 1988 Chung-Ang University, B.A. in Philosophy

Park, Chan-Il

Executive Director and Head of Development & Licensing

- 2008 Senior Executive Director
- 2006 Director
- 2006 Executive Director
- 2005 Head of Development & Licensing
- 2001 Director of Ethical Drug Product Management
- 1978 Seoul National University, B.A. in Pharmacy

OUTSIDE DIRECTOR

Dr. Kwon, Sung-Won, M.D.

Director
Professor of Urology, College of Medicine, Pochon Cha University

- 2007 Director
- 1997 President of the Korean Urological Association
- 1974 Yonsei University, Doctor of Medicine
- 1974 Yonsei University, Ph.D. in Medicine

Kang, Kyoung-Bo, CPA

Director
Certified Public Accountant, Daehyun Accounting & Tax Firm

- 2006 Director
- 2005 CPA, Daehyun Accounting & Tax Firm
- 1991 Korea University, Master of Business Administration
- 1989 Korea University, B.A. in Business Administration

Dr. Seo, Young-Ger

Director
Professor and Dean of Pharmacy, Seoul National University

- 2008 Director
- 2007 Dean of Pharmacy, Seoul National University
- 1987 University of Pittsburgh, Ph.D. in Organic Chemistry
- 1980 Seoul National University, M.S. in Pharmacy
- 1975 Seoul National University, B.S. in Pharmacy

AFFILIATED DIRECTOR

Yoo, Chung-Sik

Director

- 2003 Vice-Chairman (retired in 2007)
- 1993 Chief Executive Officer
- 1978 Director
- 1962 Seoul National University, B.A. in Business Administration

Shareholder Relations

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

MORE DIALOGUE WITH STAKEHOLDERS

Dong-A carries out various IR activities to ensure a fair and open exchange of information between the company's management, its investors and the markets. These activities include an appropriate mix of seminars, face-to-face meetings, industry conferences, NDRs and conference calls.

Corporate seminars are held whenever necessary to provide institutional investors with up-to-date information on our performance. We also make on-site visits to about eight institutional shareholders each quarter following the release of quarterly results, and host as many as 150 meetings per year with large investors and potential investors. In 2009, we held 340 meetings with 665 investors from 523 institutions, a significant increase from the 215 meetings held in 2008.



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

Our corporate website (www.donga-pharm.com) is updated with quarterly results, analyst reports, annual reports, IR presentations and other required disclosures. We also provide regular updates on matters relating to R&D, operations and a wealth of other relevant information, and the feedback from Dong-A's investors regarding our level of information-sharing has been very positive. Our commitment to transparency is permanent, and we aim to be recognized as a market leader not only for the quality of our products, but also for the accountability and openness of our management.

MAJOR IR ACTIVITIES IN 2009

- Earnings Release Seminars
Quarterly results were presented to 56 institutional investors at seminars organized by Korea Investment Trust and Securities, Daishin Securities, Mirae Asset Securities and Hana Daetoo Securities.
- R&D Seminars
R&D-focused seminars targeting investors were held for the first time at our R&D center and 18 analysts were attended. Also we visited four times to R&D-focused seminars such as Mirae Asset Financial Group, Korea National Pension Fund and Samsung Securities.
- Securities Companies Conferences
Conferences organized by Merrill Lynch and Mirae Asset Securities were held for securities companies, and attended by 17 institutional investors.
- Domestic NDR
Domestic NDRs targeting 85 institutional investors were organized by IBK Securities, Kyobo Securities, Hanwha Securities, SK Securities and Tong Yang Securities.
- Overseas NDR
One Asian NDR was held in Hong Kong and Singapore, organized by Samsung Securities. A second NDR organized by Macquarie was held in the US and 39 institutional investors were attended.
- CEO and CFO Seminars
Three CEO and CFO seminars were held in 2009, with attendance by 18 institutional investors.
- Others
In addition to the above, we held face-to-face or small-group meetings for 220 institutional investors (162 domestic and 58 foreign) and made on-site visits to 54 analysts at 49 separate institutions.



Ethical Management

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

RESPECTING INTEGRITY AND RESPONSIBILITY

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

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

As we continue the steady progress toward our goal of becoming a major player in the global pharmaceutical industry, we can look back at 2009 as a year in which the fundamentals of ethical management and responsible corporate behavior were solidified in our company's culture. We look forward to many more years of working closely with all our stakeholders in an atmosphere of mutual trust and respect.

ACTIVITIES TO PRACTICE SUSTAINABLE MANAGEMENT



→ Launch of Compliance Program (CP)

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

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

→ Transparency in Novel Drug Development

Dong-A has opened up its novel drug development processes to public scrutiny. By displaying transparency with the very core of our future growth potential, we are demonstrating our commitment to fair management and earning investors' trust. Dong-A has the domestic industry's largest drug pipeline, and we allow the public to follow the progress and process of our R&D, touting our confidence in our technologies and capabilities. This approach improves the company's public image and establishes Dong-A as a company that is devoted to the protection of life and service to humankind.

→ Disclosure of BOD Operations and Financial Information

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

→ Model Code of Ethics

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





FULL COMMITMENT

WE PROMISE A BETTER TOMORROW.

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

Sustainable Management

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

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

HUMAN CAPITAL

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

WORKPLACE PRACTICES

Our plants are equipped with state-of-the-art monitoring equipment to measure potential exposure to hazardous materials. More important, all staff are fully trained in safety procedures and drilled regularly on a full range of trouble-shooting scenarios. Dong-A is currently in a multi-year process to integrate health & safety management into our general business strategy, and in keeping with our broad commitment to transparency, we issue regular reports on the company's safety record.

ENVIRONMENTAL MANAGEMENT

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

One area where Dong-A has made particular progress is in reducing the volume of environmental pharmaceuticals that are dispersed to the environment after failing to be fully metabolized by the patient. Over the years, our company has made a steady shift toward herb-based and other ETC-type drugs that have little or no environmental impact compared with synthetic drugs.

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

STAKEHOLDER CAPITAL REGULATORY

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

2010 OPENING OF THE NEW 'GREEN' R&D BUILDING

Dong-A will celebrate the opening of its massive new Research Center in 2010. It has been designed by HDR CUH2A of the US, a company with a wealth of experience in the design of green research and education facilities. Our instructions to the planners were to create a model plant that employs the latest in green technology to minimize the total environmental impact of the Center. Some of the design highlights include :

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



Human Resources

Dong-A takes pride in the quality of its workforce. Our working environment is a place where professionalism and mutual respect are nurtured, and where global standards are met.



PEOPLE UNLOCKING THEIR POTENTIAL

The goal of Dong-A's HR policy is to help us be a company that demonstrates respect for people and human rights. Our working environment is a place where the leaders of today and tomorrow can develop their talents and hone their global competitiveness. We also provide ample opportunities to practice charitable giving and volunteerism.

Leveraging our relationships with leading universities nationwide, Dong-A's unique recruitment process begins with a rigorous screening that identifies candidates with strong academic backgrounds and a natural appreciation for lifelong learning. Each person's special competencies are identified and cataloged in our HR database, opening a file that grows with them throughout their career. We use the database to help us form workgroups consisting of a diverse range of talents and interests.

In the 1970s, Dong-A established the Korean pharmaceutical industry's first professional training institute and implemented a systematic program offering education courses tailored to specific job functions. Over time, these programs have evolved with the changing demands of technology, markets and business methods.

Through the institute's e-learning system, every Dong-A employee has access to practical knowledge repositories, foreign language training and assistance with MBA coursework.

Dong-A also supports its employees to develop their knowledge and expertise in pharmacy by earning MR (Medical Representative) certification, offered through the Korea Pharmaceutical Manufacturers Association. Targeting new recruits and sales representatives, we have opened a new MR campus offering our own certification program.

CULTURE OF POSSIBILITIES AND OPPORTUNITIES

Dong-A is proud of the fact that the average Dong-A employee stays with the company for 9.1 years, nearly 50% longer than the industry average of 6.2 years. This figure demonstrates the loyalty of the company's management and staff, and testifies to the quality of our corporate culture. Our company was highlighted as one of the '40 Best Korean Companies to Work For' in 2008, in a book of the same title published by Dong-A Ilbo, one of Korea's major dailies.

Our policy has been to practice careful selection of new recruits, offer them a stable and supportive working environment. We demand that our people respect one another as professionals, and we hold everyone accountable for their performance. Dong-A is a place where excellent talent thrives and explores unlimited opportunities for growth.

Social Responsibility

Dong-A is always alert for opportunities to lend a hand and help a neighbor. We believe that social development supports corporate development, and that our company's success shines brighter in the context of a prosperous society.

SUSTAINING BUSINESS, SUSTAINING COMMUNITIES

As a pharmaceutical company that has accepted the responsibility to work for the improved health and welfare of humankind, Dong-A is active in a wide variety of community service projects. Our contributions take the form of both financial support and volunteer labor. We have selected education, culture and academics as areas of particular support, operating a high school in Sangju City, supporting the Suseok Cultural Foundation and sponsoring various industry awards.

Dong-A unfolds social contribution activities in educational, cultural and academic activities. We operate Sangju High School in Sangju City in North Gyeongsang Province, and have established the Suseok Cultural Foundation to foster responsible talents, sponsoring Hamchun Medical Science Award, Excellent Pharmacist Award and Marronnier Women Composition Contest.

Wherever Dong-A operates, we look for ways to give back to the community and ease the burdens of the underprivileged. Respect for all life is a core corporate value of Dong-A, and we try to practice it every day.



2009 CSR HIGHLIGHTS

→ Volunteer Work

Our employees and executives join together to help their local communities whenever and wherever needed. We support the charitable work of Seoul's Boramae Medical Center, providing free meals to the homeless by operating the Bappu Restaurant together with the Daily Community NGO. We have also supported a foreign workers' hospital in Garibong-dong in Guro-gu as well as Jjokbangchon near Yeongdeungpo Station in Seoul. Our volunteer works are too numerous to name, but all are directed toward helping the underprivileged members of our communities.

→ Medical & Pharmaceutical Industry Awards

HAMCHUN MEDICAL SCIENCE AWARD: Awarded each year to a medical researcher with an outstanding research and publication record, and who has shown concern for human welfare and advancement of the medical profession. The award has been co-presented by Dong-A and the Korean Medical Association (KMA) since 1969. Originally known as the 'Dong-A Medical Culture Award', the name was changed to the 'Dong-A Medical Science Award' and finally the 'Hamchun Medical Science Award.' It boasts a prestigious forty-year history and tradition, and is now co-presented by Dong-A and the Suseok Cultural Foundation.

EXCELLENT PHARMACIST AWARD: Co-presented by Dong-A and the Korean Pharmaceutical Association (KPA) since 1973, the Award honors the contributions of excellent pharmacists to maintaining and improving public health. Now co-sponsored by Dong-A and the Suseok Cultural Foundation, the award is presented annually on the anniversary of the foundation of the KPA. Individual awards are given in five categories: clinical pharmacy, KPA development, exemplary service, pharmaceutical research and social contribution.



→ Scholarship Support

SANGJU ACADEMY: We have conducted various scholarship programs, serving as the foundation for Sangju Academy in Sangju City in North Gyeongsang Province since 1964. Our aim is to actively train talents to lead a genuine and enriching life by fostering their character and personality.

THE SUSEOK CULTURAL FOUNDATION SCHOLARSHIP: Dong-A operates various programs to help young people develop into responsible citizens and leaders. In 1992, marking our company's 60th anniversary, the Suseok Scholarship Association was revamped as the Suseok Cultural Foundation. Its expanded mission is to support outstanding middle school, high school and university students. Candidates are nominated by their school principals, who select students on the basis of academic performance and their suitability as peer role models. Since its foundation in 1987, the Suseok Cultural Foundation has provided support to about 1,432 students.

→ Culture, Arts & Sports



BACCHUS® CUP JUNIOR GOLF TEAM CHAMPIONSHIP: We have held 'Bacchus® Cup Junior Golf Team Championship' since 2005 in a spirit of promoting Korea's rising status as home to many of the world's top golfers. 'Bacchus® Cup Junior Golf Team Championship' provides a venue for scouting promising young amateur golfers, giving them a chance to gain exposure to professional events and test their mettle.

ENVIRONMENTALLY-FRIENDLY AND LIFE-FRIENDLY CLASS FOR YOUTHS WITH DONG-A: This is a back-to-nature type of experience offered each year to 50 young participants, covering five days and four nights spent learning about ecology and conservation, and more importantly, respect for nature and how to modify their behavior to protect nature and the environment. In 2009, the class was held in the natural forests and coastal areas of Anmyeon Island and Taean Peninsula, and presented a curriculum of ecology and conservation-focused education.

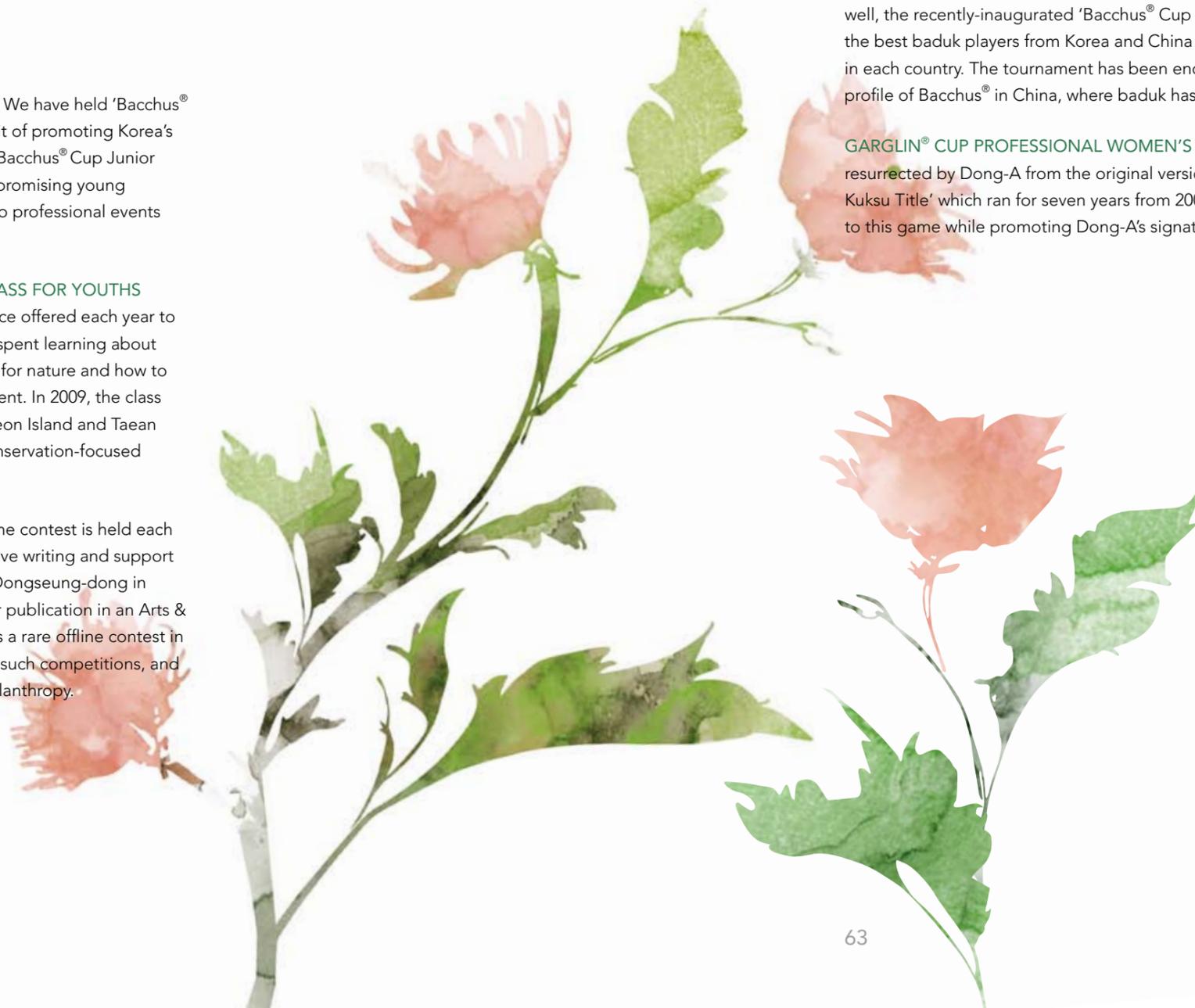


MARRONNIER WOMEN'S COMPOSITION CONTEST: The contest is held each year in October, Korea's cultural month, to promote creative writing and support women writers. The award is given in Marronnier Park in Dongseung-dong in Seoul. The Grand Prize winner's work is recommended for publication in an Arts & Culture journal. Now in its 27th year in 2009, the contest is a rare offline contest in an age when online platforms control the vast majority of such competitions, and it is recognized as a valuable contribution to Mecenat philanthropy.

MARCH ACROSS KOREA FOR COLLEGE STUDENTS: Since 1998, 'March Across Korea with Bacchus®' has served as an annual walkathon that captures the adventurous spirit and passion of youth. Young participants devote 21 days and 20 nights to a 600-kilometer walk from one end of Korea to the other. Along the way, they enjoy presentations on traditional culture and participate in local events. As the Walkathon has gained recognition, competition for places has become intense, with over 20,000 applications being received last year. The aim of the program is to imbue in participants a sense of confidence in their own ability to overcome challenges and hardships.

BACCHUS® CUP CHUNWON (CENTER POINT) TITLE / BACCHUS® CUP KOREA-CHINA CHUNWON TITLE: To mark the company's 50th anniversary in June 1983, Dong-A created the 'Bacchus® Baduk Competition.' The aim was to contribute to the development of the baduk game industry and its culture. The competition was the first of its kind to be sponsored by a private enterprise, and was re-branded as the 'Bacchus® Cup Chunwon (Center Point) Title' in 1996, after its twelfth year. As well, the recently-inaugurated 'Bacchus® Cup Korea-China Chunwon Title' attracts the best baduk players from Korea and China each year, being held alternately in each country. The tournament has been enormously successful at raising the profile of Bacchus® in China, where baduk has been a popular game for centuries.

GARGLIN® CUP PROFESSIONAL WOMEN'S KUKSU TITLE: This tournament was resurrected by Dong-A from the original version of the 'Professional Women's Kuku Title' which ran for seven years from 2000, aiming to attract more females to this game while promoting Dong-A's signature Garglin® brand.





OUR RAISON D'ÊTRE

Our business sprang from the simple belief that we must put respect for human beings at the core of everything we do. That principle has inspired us since 1932, and has made us the No. 1 pharmaceutical company in Korea.

A photograph of children in a forest wearing raincoats. In the foreground, a child in an orange raincoat looks upwards with their hand raised. Behind them, another child in a blue raincoat also looks up. The background is filled with lush green trees and foliage, creating a soft, natural setting.

WHAT WE SEARCH FOR

Our ambition to deliver outstanding performance is matched only by the determination to strengthen our own capabilities. Dong-A is a vibrant and growing company with a clear vision and strategy. More importantly, we are guided by universal values and committed to ethical business conduct.

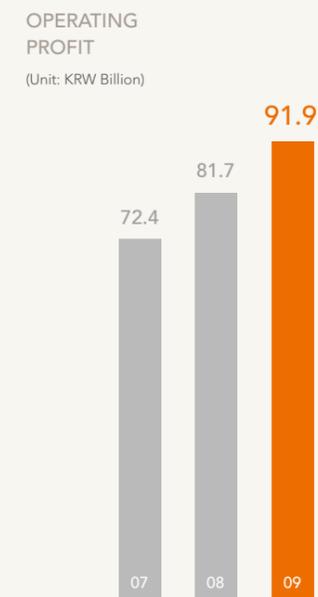
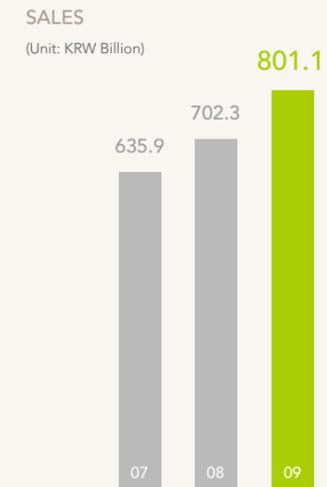
WHERE WE REACH

We apply our strong spirit of innovation and unique set of capabilities to take on tough challenges in our communities. We will do everything we can to fill our world with happy smiles and welcoming hearts.

2009 Financial Review

MANAGEMENT'S DISCUSSION & ANALYSIS

CHART 1.
Sales & Operating Profits Trends



SALES

The company's 2009 sales were up 14.1% year-on-year, to close at KRW 801.1 billion. Operating profit posted a 12.5% increase to KRW 91.9 billion.

The main source of sales growth was Dong-A's ethical (ETC) drug segment, which grew by 16.2% to comprise 57.8% of total sales, up from 56.7% the prior year. Growth was broadly spread among the major products in the segment, including Stillen[®] (KRW 85.4 billion), Zydene[®] (KRW 16.3 billion), Opalmon[®] (KRW 40.6 billion) and Plavitor[®] (KRW 39.7 billion).

The number of Dong-A 'blockbuster' drugs, which we define as those products with annual sales exceeding KRW 10 billion, including OTC products, has risen steadily from 15 in 2007, to 18 in 2008 and 21 in 2009.

Sales of Bacchus[®] were down slightly for the year, slipping 1.9% to KRW 116.5 billion. We attribute the decline to an understandable level of consumer resistance to a 12.1% price increase in March of 2009 and the spread of H1N1 influenza across the globe, resulting in cancellation of large-scale events and shrinkage in population on the move.

Our OTC segment as a whole recorded a 16.1% rise in sales to KRW 93.2 billion. The increase is the result of a streamlined distribution system introduced in 2008 under which third-party wholesalers entirely replace our former system of using wholesalers in conjunction with direct sales to pharmacies.

Sales of medical equipment climbed 21.7% year-on-year, due largely to higher sales of BIO-MET's products launched in June, 2008.

Total export sales amounted to KRW 37.3 billion, up 42.9% over 2008. Export contracts as of year-end 2009 reached USD 426 million. In consideration of the time needed for the registration and approval of new pharmaceuticals by foreign regulators, we anticipate that the export revenues will start to be generated after 2011.

TABLE 1.
Sales Trends of Major Products

(Unit: KRW Billion)

	2009	2008	Chg.(%)	Treatment
ETC				
Stillen®	85,433	74,792	14.2%	Gastritis
Opalmon®	40,594	31,941	27.1%	Circulation
Plavitol®	39,721	29,940	32.7%	Peripheral Artery
Nicetil®	34,323	37,912	-9.5%	Dementia
Lipinon®	30,923	9,576	222.9%	Hyperlipemia
Orodipine®	28,193	23,182	21.6%	Hypertension
Talion®	18,618	15,388	21.0%	Allergic Rhinitis
Gaster®	18,456	16,695	10.5%	Stomach Ulcers
Zydena®	16,264	14,200	14.5%	Erectile Dysfunction
Growtropin®	15,619	14,440	8.2%	Growth Hormone
Glimel®	15,102	13,575	11.2%	Diabetes
Cozartan®	13,552	1,822	643.8%	Hypertension
Onon®	11,663	10,851	7.5%	Asthma
Acrofen®	11,613	10,977	5.8%	NSAIDs
Epocelin®	10,311	10,863	-5.1%	Antibiotics
Valtrex®	10,288	9,093	13.1%	Herpes Zoster
Suprax®	6,288	6,189	1.6%	Antibiotics
Cholesnone®	4,947	7,900	-37.4%	Hyperlipemia
Tanatril®	4,737	10,203	-53.6%	Hypertension
OTC				
Bacchus®	116,536	118,772	-1.9%	Tonic
Panpirin®	19,948	16,287	22.5%	Colds
Gagrin®	16,562	12,228	35.4%	Mouth Wash
Begen®	15,511	15,353	1.0%	Hair Dye
Morning Care®	12,173	9,549	27.5%	Hangover Drink

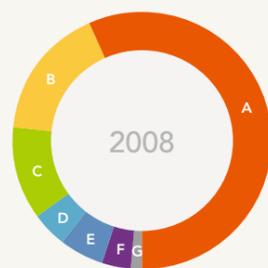
TABLE 2.
Major Export Contracts

(Unit: USD Million)

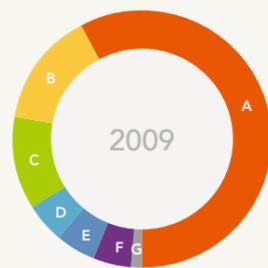
		Date	Country	Company	Amount	Term
Zydena® (ED) New Drug	USD 315.1 mil	2006.10.	Middle East	Saudi SPC	30.0	5 yrs
		2007.10.	Russia	OJSC	50.0	5 yrs
		2007.11.	MENA	HIKMA	23.0	5 yrs
		2007.12.	CIS	OJSC	20.0	5 yrs
		2007.12.	Thai	B.L.HUA	15.0	5 yrs
		2008.07.	Brazil	Bergamo	109.0	7 yrs
			Columbia	Procabs	28.0	7 yrs
			Malaysia/Singapore	Pahang Pharmacy	15.0	7 yrs
			Pakistan	Matrix Pharma	8.3	7 yrs
			Phillipine	Macro Pharma	8.2	7 yrs
		2009.08	Turkey	Abdi Ibrahim	6.6	5 yrs
			India/Nepal	Zydus Cadila	2.0	5 yrs
Gonadopin® (Infertility) BIO	USD 44.9 mil	2006.11.	China	Shanghai Mainland Pharm	15.0	5 yrs
		2007.06.	Russia	MIR Pharm	16.0	5 yrs
		2007.06.	Turkey	Dr. FRIK	6.0	5 yrs
		2008.11	India	Srum Institute	7.9	5 yrs
Gemcit® (Cancer) ETC	USD 16.5 mil	2007.06.	Turkey	DEM ilac	16.2	5 yrs
		2007.08.	Ukraine	L-Contract	0.3	5 yrs
• Leucostim® (Neutropenia)	BIO	2007.07.	Turkey	DEM ilac	20.0	5 yrs
• Eporon® (Anemia)	BIO	2007.07.	Turkey	DEM ilac	20.0	5 yrs
• Grotropin® (Hormone)	BIO	2007.08.	Ukraine	L-Contract	3.4	5 yrs
• Closerin® (Tuberculosis)	ETC	2007.08.	Ukraine	L-Contract	3.8	5 yrs
• Interferon-α	BIO	2007.08.	Ukraine	AllMed	2.4	5 yrs
2006~2009.8 Sum	USD 426.2 mil					

CHART 2.
Ratio of Sales by Sector

(Unit: %)



A. ETC	56.7
B. BACCHUS®	16.9
C. OTC	11.4
D. MEDICAL EQUIPMENTS	4.7
E. DIAGNOSTICS	5.3
F. EXPORTS	3.7
G. OTHERS	1.3



A. ETC	57.8
B. BACCHUS®	14.6
C. OTC	11.6
D. MEDICAL EQUIPMENTS	4.9
E. DIAGNOSTICS	5.2
F. EXPORTS	4.7
G. OTHERS	1.2

TABLE 3.
Sales by Sector

(Unit: KRW Billion)

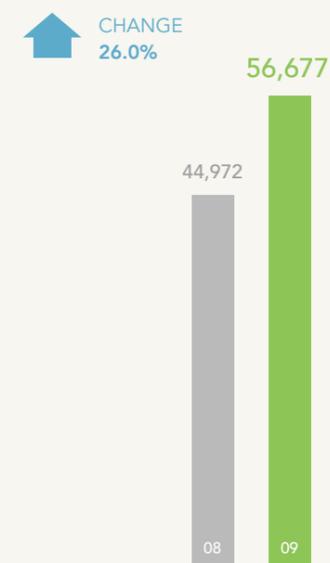
Category	2008	Sales Ratio	2009	Sales Ratio	YoY
Bacchus®	118,772	16.9%	116,536	14.6%	-1.9%
ETC	398,447	56.7%	463,108	57.8%	16.2%
OTC	80,236	11.4%	93,177	11.6%	16.1%
Exports	26,131	3.7%	37,336	4.7%	42.9%
Medical Equipments	32,644	4.7%	39,717	4.9%	21.7%
Diagnostics	37,132	5.3%	41,418	5.2%	11.5%
Others	8,954	1.3%	9,768	1.2%	9.1%
Total	702,315	100%	801,060	100%	14.1%

COST OF GOODS SOLD (COGS)

The company's COGS ratio notched upward from 36.9% in 2008 to 40.3% in 2009. This was driven by unfavorable shifts in foreign exchange rates as a result of the global financial turmoil along with increases in the current production cost and the resulting higher depreciation cost due to the highly enforced regulations of late on medical equipment production facilities (compliance with the Current Good Manufacturing Practices (CGMP)).

CHART 3.
R&D Expenditures

(Unit: KRW Million)



SALES & ADMINISTRATIVE EXPENSES

Sales & administrative expenses were up 6.8% year-on-year to KRW 24.5 billion, due mainly to the increased spending on R&D.

However, the S&A ratio fell from 51.5% last year to 48.2% in 2009. In line with the company's conscientious efforts to raise efficiency, we expect to maintain S&A expenses at this level or below in the future.

NON-OPERATING PROFIT & LOSS

Non-operating income & expenses include interest costs and gains on valuations of equity method investments. The company's annual interest expense was approximately KRW 10.8 billion on borrowings totaling KRW 173 billion at year-end 2009. Dong-A recognizes gains on the valuation of certain investments in major affiliates using the equity method.

TAX

The company's tax rate was raised incrementally following the write-down of certain deferred tax credits. In 2009, the company paid a rate of 28% on taxable income, after claiming credits for R&D costs and other deductible expenses.

TOTAL ASSETS

In 2009, the company's total assets surpassed KRW 1 trillion. Following asset revaluations, Dong-A wrote up a capital increase of KRW 110 billion, and its subsidiaries collectively wrote up an additional KRW 85 billion. Together with a deferred tax credit, these sums resulted in an additional KRW 260 billion being added to the company's balance sheet, lifting it above KRW 1 trillion.

Samil Accounting Corporation

www.samil.com

Kukje Center Building 191 Hangagro 2ga,

Yongsanku, Seoul 140-702, KOREA

(Youngsan P.O.Box 266, 140-600)

To the Board of Directors and Shareholders of
DONG-A PHARMACEUTICAL CO., LTD.

We have audited the accompanying balance sheets of Dong-A Pharmaceutical Co., Ltd. (the Company) as of December 31, 2009 and 2008, and the related statements of operations, appropriations of retained earnings and cash flows for the years then ended, and the statement of changes in shareholders' equity for the year ended December 31, 2009, expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dong-A Pharmaceutical Co., Ltd. as of December 31, 2009 and 2008, and the results of its operations, the changes in its retained earnings, its cash flows for the years then ended and the changes in its shareholders' equity for the year ended December 31, 2009, in conformity with accounting principles generally accepted in the Republic of Korea.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in shareholders' equity and cash flows in conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those who are informed about Korean accounting principles or auditing standards and their application in practice.



Seoul, Korea

March 11, 2010

This report is effective as of March 11, 2010, 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 financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

BALANCE SHEETS

December 31, 2009 and 2008

(in Korean won)	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	₩ 44,781,652,246	₩ 44,451,706,927
Short-term investments	700,000,000	3,543,980,898
Current portion of held-to-maturity securities	23,725,000	47,280,000
Trade accounts receivable, net	121,455,593,489	122,960,095,598
Other accounts receivable, net	294,987,548	491,367,923
Accrued income	66,866,847	213,744,083
Advance payments	2,700,047,915	1,965,537,009
Prepaid expenses	400,786,982	187,876,331
Short-term loans receivable from employees	190,341,776	227,120,415
Current swap assets	-	3,477,443,211
Current deferred income tax assets	5,827,688,151	6,132,392,379
Inventories, net	118,249,371,856	109,005,436,077
Total current assets	294,691,061,810	292,703,980,851
Long-term investments	20,500,000	345,500,000
Available-for-sale securities	34,158,733,546	4,970,233,276
Held-to-maturity securities	285,169,400	289,584,400
Equity-method investments	200,576,023,490	108,499,070,847
Investment properties	1,974,814,000	1,700,000,000
Guarantee deposits	16,394,961,066	14,928,861,162
Long-term other accounts receivables	1,647,229,807	1,324,610,383
Deferred income tax assets	-	18,447,276,172
Property, plant and equipment, net	447,397,910,560	285,795,554,089
Intangible assets, net	2,888,567,817	2,610,015,360
Total assets	₩ 1,000,034,971,496	₩ 731,614,686,540

(in Korean won)	2009	2008
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Trade accounts payable	₩ 30,834,077,008	₩ 29,900,569,536
Short-term borrowings	78,197,426,708	77,251,489,908
Income taxes payable	13,259,213,159	15,219,938,240
Current portion of long-term borrowings	19,000,000,000	33,579,913,607
Current portion of debentures	20,000,000,000	23,000,000,000
Current portion of exchangeable bonds, net	71,989,109,274	-
Other accounts payable	43,846,882,847	35,978,343,852
Advances receipts	119,140,560	182,360,682
Accrued expenses	3,540,372,262	503,059,620
Withholdings	15,391,087,359	14,512,523,308
VAT payable	9,976,271,917	7,947,747,584
Allowance for returned goods	9,481,572,185	10,054,804,811
Current swap liabilities	381,395,665	1,002,817,300
Total current liabilities	316,016,548,944	249,133,568,448
Long-term borrowings, net	18,308,985,070	24,324,112,620
Debentures, net	38,000,000,000	10,000,000,000
Exchangeable bonds, net	-	67,272,108,904
Accrued severance benefits, net	20,673,714,932	24,220,154,708
Rental deposits received	6,307,187,000	5,900,487,000
Swap liabilities	1,646,627,000	553,748,372
Deferred income tax liabilities	19,012,639,290	-
Total liabilities	419,965,702,236	381,404,180,052

(in Korean won)	2009	2008
SHAREHOLDERS' EQUITY		
Capital stock		
Common stock	₩ 52,280,000,000	₩ 51,265,000,000
Capital surplus		
Paid-in capital in excess of par value	28,848,335,467	28,848,335,467
Other capital surplus	84,873,964,818	79,131,989,176
Capital adjustments		
Treasury stock	(18,081,305,684)	(27,710,361,340)
Accumulated other comprehensive income and expense		
Gain on valuation of available-for-sale securities	4,922,966,031	86,981,943
Loss on valuation of available-for-sale securities	(704,948,448)	(18,932,648)
Net accumulated comprehensive income of equity method investees	71,773,483,740	6,967,023,197
Gain on valuation of swap	26,321,210	26,321,210
Loss on valuation of swap	(315,419,125)	(1,236,405,349)
Surplus from revaluation	88,277,992,815	-
Retained earnings		
Legal reserve	10,995,000,000	10,235,000,000
Discretionary reserve	192,722,733,333	158,422,733,335
Unappropriated retained earnings (accumulated deficit)	64,450,145,103	44,192,821,497
Total shareholders' equity	580,069,269,260	350,210,506,488
Total liabilities and shareholders' equity	₩ 1,000,034,971,496	₩ 731,614,686,540

STATEMENTS OF OPERATIONS

December 31, 2009 and 2008

(in Korean won)	2009	2008
SALES	₩ 801,060,166,350	₩ 702,315,777,392
Finished goods sales	638,181,407,786	560,739,315,068
Merchandise sales	142,704,572,622	128,840,294,304
Raw materials sales	15,892,586,715	10,075,137,025
Commission revenue	4,281,599,227	2,661,030,995
COST OF SALES		
Cost of finished goods sales		
Inventory, beginning	18,152,455,812	14,439,627,129
Manufacturing cost	229,718,314,922	183,879,913,540
Transfer from other accounts	505,510,619	-
Transfer to other accounts	-	(268,813,825)
Inventory, ending	(23,934,736,087)	(18,152,455,812)
	224,441,545,266	179,898,271,032
Cost of merchandise sales		
Inventory, beginning	38,717,356,195	43,794,483,838
Purchase	90,024,303,221	69,813,696,217
Transfer to other accounts	(2,963,404,319)	(2,162,194,187)
Inventory, ending	(36,569,482,324)	(38,717,356,195)
	89,208,772,773	72,728,629,673
Cost of raw materials sales	9,520,208,847	6,559,001,040
	323,170,526,886	259,185,901,745
Gross income	477,889,639,464	443,129,875,647
SELLING AND ADMINISTRATIVE EXPENSES		
Salaries	89,388,532,539	81,766,338,281
Support for research	56,672,330,476	65,226,874,415
Advertisement	40,847,329,397	36,294,538,161
Research and development expenses	49,527,634,559	38,329,633,776
Sales promotion	56,754,673,040	44,257,456,386
Outside service fees	19,337,807,097	18,577,222,424
Commissions	10,148,227,645	12,246,991,332

(in Korean won)	2009	2008
Travel	10,973,386,282	10,684,120,226
Provision for severance benefits	6,999,352,626	10,235,286,453
Bad debt expenses	1,292,566,699	2,158,859,051
Employee benefits	7,027,984,666	7,312,795,590
Depreciation	7,920,595,169	6,315,981,583
Taxes and dues	4,772,854,530	4,501,710,745
Transportation	4,705,528,364	4,375,639,425
Training	3,115,382,706	2,998,900,283
Entertainment	2,293,977,205	2,104,791,704
Package	1,548,099,109	1,858,786,422
Books and printing	1,685,705,336	1,548,910,652
Public relation expense	1,887,250,175	1,603,949,093
Export expense	1,992,066,895	2,440,633,946
Supplies	1,583,826,036	980,384,108
Amortization of intangible assets	989,411,562	1,156,066,903
Rent	815,688,800	777,149,797
Vehicle maintenance	955,418,889	1,041,412,470
Utilities	662,366,293	633,856,210
Communication	530,243,695	558,862,370
Repairs and maintenance	896,795,254	667,830,767
Insurance	292,843,939	280,584,551
Others	346,511,113	486,668,532
	385,964,390,096	361,422,235,656
Operating income	91,925,249,368	81,707,639,991

(in Korean won)	2009	2008
NON-OPERATING INCOME		
Interest income	3,015,960,855	2,936,946,333
Dividend income	31,543,750	29,603,250
Rental income	636,114,362	649,484,020
Commission income	415,950,236	457,714,064
Compensation for research	3,617,733,400	1,880,000,000
Gain on foreign currency transactions	1,221,422,263	3,459,685,426
Gain on foreign currency translation	338,364,659	2,364,305,512
Gain on disposal of property, plant and equipment	911,058,253	662,576,681
Gain on valuation of equity-method investments	9,977,193,515	1,668,087,010
Gain on valuation of swap contracts	-	3,448,164,146
Gain on transactions of swap contracts	989,200,864	13,360,477,740
Recovery of impairment losses on available-for-sale securities	623,288,577	563,633,000
Recovery of impairment losses on investment properties	274,814,000	-
Others	1,455,063,358	1,534,774,416
	23,507,708,092	33,015,451,598
NON-OPERATING EXPENSES		
Interest expense	15,517,044,439	13,136,178,354
Loss on foreign currency transactions	1,676,861,963	14,921,017,760
Loss on foreign currency translation	1,090,711,510	4,359,524,463
Loss on disposal of property, plant and equipment	1,144,302,053	1,625,054,002
Loss on disposal of intangible assets	-	32,836,929
Donations	2,661,397,544	3,871,382,743
Loss on valuation of equity-method investments	2,474,529,032	3,971,948,691
Impairment loss on available-for-sale securities	-	172,452,177
Loss on disposal of available-for-sale securities	24,906,172	-
Loss on disposal of trade accounts receivable	348,367,941	253,835,974
Loss on valuation of swap contracts	1,584,008,000	62,619,000

(in Korean won)	2009	2008
Expenses on exchange bonds	325,417,688	343,274,612
Loss on disposal of equity-method investments	2,250,000	-
Loss on disposal of guarantee deposits	183,350,890	-
Others	3,305,442,269	965,797,877
	30,338,589,500	43,715,922,582
Income before income tax expenses	85,094,367,959	71,007,169,007
Income tax expenses	21,831,101,217	27,631,976,164
Net income (loss)	₩ 63,263,266,742	₩ 43,375,192,843
PER SHARE DATA		
Basic earnings (loss) per share	₩ 6,634	₩ 4,510
Diluted earnings (loss) per share	₩ 6,504	₩ 4,508

STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

December 31, 2009 and 2008

(in Korean won)	2009	2008
RETAINED EARNINGS BEFORE APPROPRIATIONS (ACCUMULATED DEFICIT BEFORE DISPOSITION)		
Unappropriated retained earnings carried over from prior year	₩ 538,841,249	₩ 182,918,354
Dividends on exchange bonds	648,037,112	634,710,300
Net income (loss)	63,263,266,742	43,375,192,843
	64,450,145,103	44,192,821,497
TRANSFER FROM DISCRETIONARY RESERVE		
Reserve for research and human resource development	2,666,666,666	2,000,000,002
	2,666,666,666	2,000,000,002
APPROPRIATIONS OF RETAINED EARNINGS		
Dividends		
Cash dividends	7,807,932,000	7,578,980,250
Stock dividends	1,045,000,000	1,015,000,000
Legal reserve	790,000,000	760,000,000
Discretionary reserve	56,900,000,000	36,300,000,000
	66,542,932,000	45,653,980,250
UNAPPROPRIATED RETAINED EARNINGS CARRIED FORWARD TO SUBSEQUENT YEAR	₩ 573,879,769	₩ 538,841,249

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

December 31, 2009 and 2008

(in Korean won)	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income and expense	Retained earnings	Total
BALANCES AS OF JANUARY 1, 2008	₩ 50,255,000,000	₩ 124,234,768,006	₩ (13,812,116,386)	₩ (10,462,235,327)	₩ 177,731,601,980	₩ 327,947,018,273
Cumulative effect in accounting change	-	(15,664,573,067)	-	16,006,130,166	(342,700,291)	(1,143,192)
ADJUSTED SHAREHOLDER'S EQUITY	50,255,000,000	108,570,194,939	(13,812,116,386)	5,543,894,839	177,388,901,689	327,945,875,081
Cash dividends	-	-	-	-	(7,538,250,000)	(7,538,250,000)
Stock dividends	1,010,000,000	-	-	-	(1,010,000,000)	-
RETAINED EARNINGS AFTER APPROPRIATION					168,840,651,689	320,407,625,081
Deferred income tax effect on reserve for revaluation	-	(337,038,777)	-	-	-	(337,038,777)
Acquisition of treasury stock	-	-	(18,835,921,140)	-	-	(18,835,921,140)
Disposal of treasury stock	-	(242,628,635)	4,937,676,186	-	-	4,695,047,551
Gain on valuation of available-for-sale securities	-	-	-	(1,084,455,386)	-	(1,084,455,386)
Loss on valuation of available-for-sale securities	-	-	-	106,289,299	-	106,289,299
Change in equity method investees with net accumulated comprehensive income	-	(10,202,884)	-	2,323,501,709	-	2,313,298,825
Gain on valuation of swap	-	-	-	(52,557,402)	-	(52,557,402)
Loss on valuation of swap	-	-	-	(1,011,684,706)	-	(1,011,684,706)
Dividends on exchange bonds	-	-	-	-	634,710,300	634,710,300
Net income	-	-	-	-	43,375,192,843	43,375,192,843
BALANCES AS OF DECEMBER 31, 2008	₩ 51,265,000,000	₩ 107,980,324,643	₩ (27,710,361,340)	₩ 5,824,988,353	₩ 212,850,554,832	₩ 350,210,506,488

STATEMENTS OF CASH FLOW

December 31, 2009 and 2008

(in Korean won)	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income and expense	Retained earnings	Total
BALANCES AS OF JANUARY 1, 2009	₩ 51,265,000,000	₩ 107,980,324,643	₩ (27,710,361,340)	₩ 5,824,988,353	₩ 212,850,554,832	₩ 350,210,506,488
Cash dividends	-	-	-	-	(7,578,980,250)	(7,578,980,250)
Stock dividends	1,015,000,000	-	-	-	(1,015,000,000)	-
RETAINED EARNINGS AFTER APPROPRIATION					204,256,574,582	342,631,526,238
Deferred income tax effect on reserve for revaluation	-	(4,186,600)	-	-	-	(4,186,600)
Acquisition of treasury stock	-	-	(198,193,336)	-	-	(198,193,336)
Disposal of treasury stock	-	2,041,991,365	9,827,248,992	-	-	11,869,240,357
Gain on valuation of available-for-sale securities	-	-	-	4,835,984,088	-	4,835,984,088
Loss on valuation of available-for-sale securities	-	-	-	(686,015,800)	-	(686,015,800)
Change in equity method investees with net accumulated comprehensive income	-	3,704,170,877	-	64,806,460,543	-	68,510,631,420
Gain on valuation of swap	-	-	-	-	-	-
Loss on valuation of swap	-	-	-	920,986,224	-	920,986,224
Surplus from revaluation	-	-	-	88,277,992,815	-	88,277,992,815
Dividends on exchange bonds	-	-	-	-	648,037,112	648,037,112
Net income	-	-	-	-	63,263,266,742	63,263,266,742
BALANCES AS OF DECEMBER 31, 2009	₩ 52,280,000,000	₩ 113,722,300,285	₩ (18,081,305,684)	₩ 163,980,396,223	₩ 268,167,878,436	₩ 580,069,269,260

(in Korean won)	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	₩ 63,263,266,742	₩ 43,375,192,843
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Bad debt expenses	1,292,566,699	2,158,859,051
Loss on valuation of equity-method investments	2,474,529,032	3,971,948,691
Loss on disposal of equity-method investments	2,250,000	-
Depreciation	23,597,511,457	17,964,399,117
Amortization of intangible assets	997,744,895	1,156,066,903
Impairment loss on available-for-sale securities	-	172,452,177
Loss on disposal of available-for-sale securities	24,906,172	-
Loss on disposal of property, plant and equipment	804,302,053	1,205,054,002
Loss on disposal of intangible assets	-	32,836,929
Loss on foreign currency translation	13,686,966	3,787,986,164
Donations paid with treasury stock	1,000,620,000	-
Salaries paid with treasury stock	11,520,549,000	4,603,016,000
Provision for severance benefits	10,928,946,700	16,199,021,823
Loss on valuation of swap contracts	1,584,008,000	62,619,000
Expenses on exchange bonds	5,042,418,058	4,804,717,418
Rent	-	20,000,000
Ordinary development	73,294,970	324,775,317
Loss on disposal of guarantee deposits	183,350,890	-
Gain on disposal of property, plant and equipment	(911,058,253)	(662,576,681)
Gain on foreign currency translation	(33,655,159)	(293,695,444)
Gain on valuation of equity method investments	(9,977,193,515)	(1,668,087,010)
Gain on valuation of swap contracts	-	(3,448,164,146)
Gain on transactions of swap contracts	(989,200,864)	-
Recovery of impairment losses on available-for-sale securities	(623,288,577)	(563,633,000)
Recovery of impairment losses on investment properties	(274,814,000)	-
Others	2,764,702,305	110,632,201
	49,496,176,829	49,938,228,512

(in Korean won)	2009	2008
Changes in operating assets and liabilities		
Decrease (increase) in trade accounts receivable	210,327,107	(1,345,819,036)
Decrease (increase) in other accounts receivable	196,380,375	(322,157,057)
Decrease in accrued income	146,877,236	32,747,573
Increase in inventories	(15,678,453,246)	(14,281,489,399)
Increase in advance payments	(734,510,906)	(551,711,608)
Increase (decrease) in prepaid expenses	(212,910,651)	89,797,667
Decrease in deferred income tax assets	309,065,860	2,018,357,724
Decrease in deferred income tax liabilities	(5,886,281,761)	-
Decrease (increase) in trade accounts payable	1,894,890,927	(2,618,320,104)
Decrease (increase) in other accounts payable	7,868,538,995	(2,773,999,725)
Increase (decrease) in advance receipts	(63,220,122)	111,823,182
Increase in withholdings	878,564,051	2,948,208,759
Increase in accrued expenses	3,037,312,642	106,347,259
Decrease in income taxes payable	(1,960,725,081)	(13,706,752,552)
Increase in VAT payable	2,028,524,333	27,175,005
Decrease (increase) in allowance for returned goods	(573,232,626)	1,105,681,859
Payment of severance benefits	(5,415,348,070)	(5,453,544,007)
Increase in severance insurance deposits	(9,077,420,306)	(5,590,953,264)
Decrease in contribution to National Pension Fund	17,381,900	27,736,700
Dividends from equity method investments	181,453,500	112,900,000
	(22,832,785,843)	(40,063,971,024)
Net cash provided by operating activities	89,926,657,728	53,249,450,331
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of held-to-maturity securities	₩ 47,230,000	₩ 29,157,000
Decrease in short-term financial investments	4,115,980,898	6,682,800,501
Decrease in long-term financial investments	325,000,000	-
Collection of short-term loans receivable from employees	36,778,638	48,479,401
Disposal of available-for sale securities	17,619,815	-
Collection of guarantee deposits	1,750,429,840	969,392,019

(in Korean won)	2009	2008
Disposal of property, plant and equipment	1,673,057,109	3,189,254,042
Acquisition of short-term financial instruments	(1,272,000,000)	(4,677,980,898)
Acquisition of long-term financial instruments	-	(1,224,000,000)
Acquisition of available-for-sale securities	(23,287,265,514)	(3,764,771,010)
Acquisition of held-to-maturity securities	(19,260,000)	(139,290,000)
Acquisition of equity-method investments	-	(50,485,800)
Payment for guarantee deposits	(3,399,880,634)	(2,874,982,715)
Acquisition of property, plant and equipment	(70,857,641,738)	(69,955,235,332)
Acquisition of intangible assets	(1,276,297,352)	(899,979,754)
Net cash used in investing activities	(92,146,248,938)	(72,667,642,546)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	101,697,426,708	80,699,198,540
Proceeds from rental deposits received	790,000,000	1,484,086,000
Issuance of debentures	38,000,000,000	-
Increase in current portion of debentures	10,000,000,000	23,000,000,000
Proceeds from long-term borrowings	13,000,000,000	24,000,000,000
Payment of short-term borrowings	(100,751,489,908)	(35,000,000,000)
Repayment of current portion of long-term borrowings	(29,010,799,135)	(23,000,000,000)
Repayment of current portion of debentures	(23,000,000,000)	(32,000,000,000)
Repayment of rental deposits received	(383,300,000)	(99,407,000)
Payment of cash dividends	(7,578,980,250)	(7,538,250,000)
Repayment of long-term borrowings	(15,127,550)	(14,362,830)
Acquisition of treasury stock	(198,193,336)	(18,835,921,140)
Net cash provided by financing activities	2,549,536,529	12,695,343,570
Net decrease (increase) in cash and cash equivalents	329,945,319	(6,722,848,645)
CASH AND CASH EQUIVALENTS		
Beginning of year	44,451,706,927	51,174,555,572
End of year	₩ 44,781,652,246	₩ 44,451,706,927

Dong-A Pharmaceutical Co., Ltd.

Dong-A Otsuka Co., Ltd.

One of the major beverage companies in Korea, producing multi-million sellers like Pocari Sweat®, Black Bean Tera-tea®, Oran-C®, and Demi Soda®
Date of Establishment: 1979
Address: 249-1, Yongdu-dong, Dongdaemun-gu, Seoul, Korea
Phone: +82-2-2170-7714

Yongma Logis Co., Ltd.

Nationwide business in transportation, distribution and warehousing network with advanced logistics information system
Date of Establishment: 1983
Address: 249-9, Yongdu-dong, Dongdaemun-gu, Seoul, Korea
Phone: +82-2-3290-6400

Sooseok Co., Ltd.

Manufacturing bottles of Bacchus® and PEM CAP
Date of Establishment: 1968 (Founded as Jungang Glass Industry Inc.)
Address: 620-5 Bakdal 2-dong, Manan-gu, Anyang, Gyeonggi-do, Korea
Phone: +82-31-449-6151-4

Korea Shinto Co., Ltd.

Manufacturing machines of casting, surface treatment, and pollution prevention
Date of Establishment: 1970
Address: 434-5 Moknae-dong, Danwon-gu, Ansan, Gyeonggi-do, Korea
Phone: +82-31-491-8121-4

DA Information Co., Ltd.

Providing total IT solutions for Dong-A Pharmaceutical
Date of Establishment: 2006
Address: 249-1, Yongdu-dong, Dongdaemun-gu, Seoul, Korea
Phone: +82-2-920-8713

Dong-A America Corp.

Distributing Bacchus® and OTC products in North America
Date of Establishment: 1991
Address: 17215 Studebaker Road, Suite #335, Cerritos, CA 90703, USA
Phone: +1-562-860-3153

Dong-A Pharmtech Co., Ltd.

Manager for clinical trials and licensing procedures for Zyderna® in the US and anywhere
Date of Establishment: 2002
Address: 154-8 Samsung-dong, Kangnam-gu, Seoul, Korea
Phone: +82-2-560-8000

1930's ~ 1970's

1932

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

1949

Changed name to Dong-A Pharmaceutical Corporation

1957

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

1963

Manufactured Bacchus-D®, an energy drink

1967

Ranked 1st in sales among domestic pharmaceutical companies

1970

Initial public offering (IPO)

1977

Established research center

1980's ~ 1990's

1980

Constructed a GMP-compliant facility in An-Yang

1981

First export of Bacchus-D® to the United States

1982

Constructed new enzyme facility in Ansan (Banwol Plant)

1985

Certified as a KGMP-compliant facility

1987

Export exceeded USD 10 million

1988

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

1991

Developed a diagnostic drug for hepatitis C

1993

Developed growth hormones
 Developed a second generation dual diagnostic drug for AIDS

1994

Sales of Bacchus-F® exceeded KRW 100 billion

Exported patented non-narcotic analgesics to Japan

Developed dual diagnostic drug for AIDS and hepatitis C

1995

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

1996

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

2000's ~

2000

Cheon-An plant certified as KGMP-compliant

Banwol plant certified as BGMP-compliant

Concluded manufacturing technology transfer agreement with Janssen Korea for the antifungal molecule Itraconazole

2001

Published brand history book on Bacchus® marking its 40th anniversary

Corporate bonds and commercial paper credit rating revised upward to BBB and A3, respectively

Received "Excellent Shareholder Focused Management Award"

2002

Obtained marketing authorization of Stillen®, a new phyto-medicine for gastritis

Sales exceeded KRW 500 billion for the first time in domestic pharmaceutical history

2003

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

2004

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

2005

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

2006

Launched Gonadopin®, an infertility treatment for women

2007

Chairman Shin-Ho Kang received highest mark of honor from Japanese Emperor
 Sales exceeded KRW 600 billion for the first time in domestic pharmaceutical history

Awarded Jang Young Shil Award, given to engineers who have achieved commercially successful technology innovation, for Zyderna®

2008

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

2009

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

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