

Celltrion, Inc. Annual Report

(For the period from Jan 01 through Dec 31, 2014)



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I. Overview

1. Company Objectives

- ① Manufacture, export and sale of biopharmaceutical products
- ② Research and development of pharmaceutical products
- ③ Trade
- ④ Real estate lease
- ⑤ Overseas agricultural development
- ⑥ Any and all business activities pertaining to the foregoing activities

2. Principal Business

Manufacture and R&D of biopharmaceutical products

3. Office Information

Head Office: 23, Academy-ro, Yeonsu-gu, Incheon, 406-840, Korea

4. Employee Status

(As of Dec.31, 2014)

	Mgmt./Admin.	R&D	Manufacturing	Total
Men	70	137	361	568
Women	50	158	204	412
Total	120	295	565	980

5. Shares

- ① Total number of authorized shares: 400,000,000 shares
- ② Number and type of issued shares

(As of Dec.31, 2014)

(Unit: Share, KRW)

Type	Number	Paid-in Capital
Registered common share	103,569,771	103,569,771,000

- ③ Changes in Capital

(Unit: Share, KRW)

Share Issuance Date	Issuance Type	Description ^{Note 1)}			
		Shares	Issuance Price	Paid-in Capital	Remark
1991.02.27	Incorporation	1,000	50,000	50,000,000	
2000.01.26	Earning reserve adj.	500	50,000	25,000,000	
2000.01.28	Beg. balance	4,500	50,000	225,000,000	

2001.02.17	Capital increase	8,000	50,000	700,000,000	
2001.08.27	Stock split	1,386,000	-	700,000,000	
2001.12.27	Capital increase	885,000	500	1,142,500,000	
2001.12.28	Capital increase	115,000	2,956	1,200,000,000	
2002.10.25	Capital increase (3rd party)	400,000	2,000	1,400,000,000	
2005.07.14	Capital increase (public offering)	1,200,000	5,200	2,000,000,000	
2006.09.29	Capital increase (Shareholders)	1,400,000	3,365	2,700,000,000	
2006.09.29	Capital increase (no consideration)	600,000	500	3,000,000,000	
2008.05.26	Capital increase (3rd party)	3,060,000	3,100	4,530,000,000	Celltrion, Inc. / private placement
2008.08.18	New share issuance for merge ^{Note 2)}	97,523,601	3,439	53,291,800,500	
2008.10.23	Stock option exercise	66,317	2,048	53,324,959,000	
2009.01.28	Stock option exercise	207,630	2,048	53,428,774,000	
2009.04.27	Stock option exercise	630,279	2,048	53,743,913,500	
2009.05.25	Warrant exercise	437,500	3,200	53,962,663,500	
2009.07.24	Stock option exercise	17,681	2,048	53,971,504,000	
2009.10.28	Stock option exercise	16,243	2,048	53,979,625,500	
2010.01.25	Stock option exercise	34,815	2,048	53,997,033,000	
2010.04.28	Stock option exercise	553,806	3,454	54,273,936,000	
2010.05.19	Capital increase (3rd party)	12,230,000	17,000	60,388,936,000	
2010.07.26	Stock option exercise	13,343	4,426	60,395,607,500	
2010.09.16	Capital reduction	(4,819,244)	500	57,985,985,500	
2010.10.25	Stock option exercise	15,861	4,560	57,993,916,000	
2011.01.25	Stock option exercise	155,854	7,567	58,071,843,000	
2011.04.28	Stock option exercise	370,626	6,334	58,257,156,000	
2011.07.29	Stock option exercise	8,579	6,364	58,261,445,500	
2012.01.27	Stock option exercise	98,129	7,836	58,310,510,000	-
2012.04.25	Stock option exercise	248,804	12,498	58,434,912,000	-
2012.05.25	Capital increase (no consideration)	57,707,412	500	87,288,618,000	-
2012.07.25	Stock option exercise	57,524	8,990	87,317,380,000	-
2012.10.25	Stock option exercise	4,878	7,802	87,319,819,000	-
2013.01.21	Stock option exercise	160,053	6,738	87,399,845,500	-

2013.03.22	Reverse stock split	(87,399,846)	-	87,399,845,000	-
2013.03.22	Stock dividend	12,962,448	1,000	100,362,293,000	-
2013.04.25	Stock option exercise	80,225	17,468	100,442,518,000	-
2013.07.25	Stock option exercise	61,339	18,153	100,503,857,000	-
2014.03.27	Stock dividend	2,942,003	1,000	103,445,860,000	-
2014.04.25	Stock option exercise	69,859	20,158	103,515,719,000	-
2014.07.25	Stock option exercise	26,404	17,522	103,542,123,000	-
2014.10.24	Stock option exercise	27,648	16,048	103,569,771,000	-

Note 1) Though ORChem officially merged Celltrion, Inc., it is the largest shareholder of Celltrion, Inc. that has actual controllership of the new company. In compliance with Accounting Standards for Merger and Acquisition, Celltrion Inc. was considered an acquiring company in accounting except paid-in capital which should follow ORChem's under Korean Commercial Code

Note 2) - Merger: as of August 19, 2008 (ORChem : Celltrion = 1 : 0.3436968)
- Issuance and listing of new shares: September 24, 2009

④ Share Information

Closing date	December 31 st
General shareholders Meeting	Within 3 months after the end of the fiscal year
Shareholders list closing period	January 1 st ~ January 15 th
Share certificate type	Registered common share (8 types): One (1) share certificate, Five (5) share certificate, Ten (10) share certificate, Fifty (50) share certificate, One hundred (100) share certificate, One thousand (1,000) share certificate, Ten thousand (10,000) share certificate
Transfer proxy	Agency services for securities, KB Bank
Shareholder's privilege	-
Disclosure method	The company website (www.celltrion.com) Alternatively, Maeil Business Newspaper in the case of computer problem and other unavoidable cases.

6. Stock Option

① Granted shares (Non-exercised shares): 3,547,383 shares (1,403,071 shared)

② Details

(Unit: share, KRW)

	5th	6th	7th	8th	9th
Granting date	'06.03.24	'07.3.23	'07.12.11	'08.03.27	'09.03.20
No. of grantees	77	73	8	2	22
Exercise price	2,486	13,354	13,354	13,415	16,048
Granted shares	758,568	395,092	268,077	35,778	352,582
Cancelled shares	134,470	77,253	-	-	66,055

No. of exercised shares	621,327	314,920	268,077	35,778	282,134
Exercise period	'09.3.24 ~ '15.3.23	'10.3.23 ~ '16.3.22	'10.12.11 ~ '16.12.10	'11.3.27 ~ '17.3.26	'12.3.20 ~ '18.3.19

	10th	11th	12th	13th	14th
Granting date	'10.03.19	'11.03.18	'12.03.23	'13.03.22	'14.03.27
No. of grantees	17	19	48	15	26
Exercise price	21,469	36,614	41,285	53,950	44,550
Granted shares	165,948	401,846	643,707	173,245	352,540
Cancelled shares	56,950	49,725	97,364	38,019	15,000
No. of exercised shares	76,301	10,939	-	-	-
Exercise period	13.3.19 ~ '19.3.18	'14.3.18 ~ '20.3.17	'15.3.23 ~ '21.3.22	'16.3.22 ~ '22.3.21	'17.3.22 ~ '24.3.26

Note) The numbers of issued shares and exercise prices above were adjusted reflecting capital increase or share issuance in accordance with Stock option grant agreement.

7. Bond

Category	Issue date	Total issuing amount by face value	Coupon rate	Balance	Maturity date of convertible bond
Overseas issuance of convertible bonds	'13.03.27	USD 300,000,000	2.75%	USD 252,500,000	'18.03.27

II. Operation Updates

1. Operation Overview

Celltrion's business objectives are to develop and manufacture biosimilar monoclonal antibodies (mAbs) and novel therapeutics for various therapeutic areas including oncology and autoimmune diseases.

Since our founding in 2002, the Company has built a world-class facility, developed state-of-the-art technologies and established quality systems through active recruitment and investment within a short period of time. Celltrion has secured 140,000L mammalian cell culture facilities, which were built in compliance with the EU and US GMP regulations, in Incheon, South Korea.

In 2013, Celltrion received approval for its first biosimilar product Remsima™ from European Medical Agency (EMA). In addition, Celltrion completed the filing procedure in August 2014 to obtain US FDA approval. Remsima™ is the world's first biosimilar mAb to receive regulatory approval from regulatory body in the developed world.

Celltrion has established extensive global marketing and sales network that spans more than 120 different countries, including both developed and emerging countries, through strategic partnerships with major regional pharmaceutical companies.

Remsima™, the world's first biosimilar mAb, has already been launched in many countries and its uptake in the original products market is expected to increase rapidly owing to its efficacy and safety profile which are comparable to the originator product and more affordable price. Celltrion will steadfastly continue to spearhead the future of the biopharmaceutical industry by developing biosimilar mAbs and novel biopharmaceuticals.

The Company engages in the business of development and manufacture of therapeutic proteins and contract manufacturing of therapeutic proteins. Details of these businesses are as follows:

① Development and manufacture of therapeutic proteins

i. Biosimilars and Biobetters

Biosimilars are officially approved subsequent versions of off-patent innovator biopharmaceutical products which have comparable efficacy and safety profile with more affordable price. Biosimilars will not only bring down the cost of medicines for refractory diseases and promote patients' access to advanced therapeutics but also reduce government burdens caused by increased healthcare expenditure.

Celltrion began research and development on biosimilar mAbs and have now obtained approvals for Remsima™ and expect approval of Herzuma. The market size of the two originator products amounts to approximately USD 15 billion. With these back-to-back biosimilar mAb approvals, Celltrion has become one of the few global pharmaceutical companies with multiple approved mAbs in their product line and has consolidated its leading position in the biosimilar development race. Celltrion plans to launch Remsima™ in the global market in accordance with its strategic plans.

Celltrion has twelve additional mAbs in its pipeline and, through its global level pipeline, it plans

to launch products in the market annually. Development of our third product is going very smoothly with successful clinical trial phase1 results for CT-P10. Global clinical trial phase 3 for this product is currently ongoing.

ii. Novel Biopharmaceuticals

Aside from the development and manufacturing of biosimilar mAbs, the Company is developing novel biopharmaceuticals using its accumulated R&D capabilities and technologies that were acquired through development of biosimilars.

Especially, in August 2014, Celltrion successfully completed phase 2A clinical trial in healthy volunteers to evaluate the efficacy and safety of CT-P27, a novel therapeutic antibody under development. CT-P27 is a therapeutic antibody for treatment against universal influenza which is attracting attention from the US and Chinese governments for its ability to neutralize a broad spectrum of influenza virus subtypes. CT-P27 is now preparing for the clinical trial phase 2B.

In addition, the Company is jointly developing the monoclonal antibody for rabies with the Center for Disease Control and Prevention (CDC) in the USA. Additionally, we are also working with a US biotech company to develop an antibody that is expected to be effective for breast cancer and lung cancer. Our broad innovative drug pipeline is expected to serve as the driving force behind Celltrion's future growth.

② Contract Manufacturing Organization (CMO) business

Celltrion provides its clients with comprehensive services from drug development through manufacture of therapeutic proteins by CMO business.

The company offers process and analytical development services as well as clinical and commercial production capabilities. It offers a full range of services for development and production of monoclonal antibodies (mAbs) and recombinant proteins.

2. Production and Sales

In 2014, the company appropriated biopharmaceutical products in sales and process development of clinical products in service revenue.

(Unit: Million KRW)

Sales Type	Item	Amount
Product	Remsima. etc	388,673
Service	CMO service etc.	15,949
Total	-	404,622

3. Financing & Manufacturing Facility Investment

(N/A)

III. Information of Parent and Subsidiary Companies

1. Information on Parent Company

(N/A)

2. Information on Subsidiary Company

(Unit: Share, KRW)

Name (Location)	Subsidiary		Relationship with Celltrion		
	Capital stock	Business objective	No. of shares	%	Transaction
Celltrion Europe (London, UK) ^{Note 1)}	1,948	Clinical trials of biosimilar products in EU	1.00	100%	N/A
Celltrion Eurasia (Moscow, Russia) ^{Note 2)}	392,630	Agricultural business in Russia	N/A	100%	N/A
Celltrion Don (Rostov, Russia) ^{Note 2)}	5,234,814,752		N/A	100%	N/A

Note 1) Celltrion Europe was established in the form of “Company limited by Shares” with the founding capital of GBP 1.00, in order to conduct clinical trials in EU

Note 2) Celltrion Eurasia and Celltrion Don were financed without stock issuance

IV. Operation Result and Asset Status of Recent Three Years

1. Result of Operation

FY 2014: For the period from Jan 01, 2014 to Dec 31, 2014

FY 2013: For the period from Jan 01, 2013 to Dec 31, 2013

FY 2012: For the period from Jan 01, 2012 to Dec 31, 2012

Income Statement

(Unit: KRW)

Description	FY 24	FY 23	FY 22
I. Sales	404,621,867,934	224,575,287,050	348,955,192,699
II. Cost of sales	(105,330,387,287)	(66,592,226,683)	(91,916,528,820)
III. Gross profit on sales	299,291,480,647	157,983,060,367	257,038,663,879
IV. General administration expenses	(103,527,462,576)	(56,999,516,323)	(59,947,965,640)
V. Operating income (loss)	195,764,018,071	100,983,544,044	197,090,698,239
VI. Other income	8,291,686,936	40,364,703,939	6,673,093,493
VII. Other loss	(14,626,091,882)	(14,171,005,258)	(10,020,732,755)
VIII. Financial income	20,876,716,297	23,669,927,412	8,009,682,894
IX. Financial loss	(48,104,845,325)	(34,080,752,024)	(16,878,216,401)
X. Income (Loss) from continuing operations before income tax	162,201,484,097	116,766,418,113	184,874,525,470
XI. Income (Loss) tax expenses on continuing operations	(34,141,100,550)	(13,012,009,015)	(13,253,678,754)
XII. Income from continuing operation	128,060,383,547	103,754,409,098	171,620,846,716
XIII. Gain (Loss) from discontinued operation	-	-	-
XIV. Net income (loss)	128,060,383,547	103,754,409,098	171,620,846,716

2. Status of Assets:

FY 2014: As of Dec 31, 2014
FY 2013: As of Dec 31, 2013
FY 2012: As of Dec 31, 2012

Balance Sheet

(Unit: KRW)

Description	FY 24	FY 23	FY 22
Assets			
I . Current assets	697,541,088,843	548,633,793,721	572,331,414,999
1. Cash and cash equivalents	105,159,675,191	79,524,135,589	50,977,724,453
2. Short-term financial assets	9,745,800,000	15,038,228,357	44,171,704,937
3. Account receivables	338,875,237,112	271,232,536,861	371,500,965,301
4. Loan and other receivables	72,509,340,199	21,147,927,354	7,823,367,811
5. Inventory	146,541,689,186	135,418,381,165	77,221,464,150
6. Other current assets	24,709,347,155	26,272,584,395	20,636,188,347
II . Non-current assets	1,401,156,159,835	1,423,980,332,006	1,156,268,518,107
1. Long-term financial assets	30,498,028,934	68,583,762,026	8,162,539,850
2. Long-term account receivables			
3. Loan and other long-term receivables	6,873,109,460	63,687,885,547	24,683,540,677
4. Investments in subsidiary and associate	96,235,913,198	54,126,924,638	2,929,172,928
5. Property plant and equipment	691,753,922,481	711,901,970,559	735,304,295,645
6. Intangible assets	567,704,461,594	502,501,161,104	376,244,857,169
7. Investment property	6,773,599,747	7,001,467,039	7,229,334,331
8. Deferred tax assets	-	14,763,973,956	
9. Other non-current assets	1,317,124,421	1,413,187,137	1,714,777,507
Total assets	2,098,697,248,678	1,972,614,125,727	1,728,599,933,106
Liabilities			
I . Current liabilities	423,054,493,491	490,306,287,014	412,180,846,100
1. Short-term financial liabilities	358,307,517,289	382,327,141,924	333,104,490,442
2. Account payable	3,512,557,324	13,427,228,591	2,021,440,109
3. Other payables and financial liabilities	52,327,134,499	69,620,498,455	55,843,049,977

Description	Period 24	Period 23	Period 22
4. Provisions			
5. Current tax liabilities	5,267,972,094	20,137,075,942	16,190,106,799
6. Other current liabilities	3,639,312,285	4,794,342,102	5,021,758,773
II . Long-term liabilities	416,234,672,546	393,579,374,205	266,192,412,031
1. Long-term financial liabilities	414,134,237,847	393,093,374,205	261,630,710,000
2. Other long-term payables and financial liabilities	675,000,000	486,000,000	336,000,000
3. Deferred tax liabilities	1,425,434,699	-	4,225,702,031
Total liabilities	839,289,166,037	883,885,661,219	678,373,258,131
Stockholders' equity			
1. Capital stock	103,569,771,000	100,503,857,000	87,319,819,000
2. Additional paid-in capital	374,601,628,348	370,966,449,166	365,690,060,564
3. Retained earnings	861,586,531,463	736,468,150,916	648,268,679,478
4. Accumulated other comprehensive income	1,390,466,146	528,810,475	1,007,524,110
5. Other capital	(81,740,314,316)	(119,738,803,049)	(52,059,408,177)
Total stockholders' equity	1,259,408,082,641	1,088,728,464,508	1,050,226,674,975
Total liabilities and stockholders' equity	2,098,697,248,678	1,972,614,125,727	1,728,599,933,106

V. Pending Issue

(Refer to “Operation Overview” in “II. Operation Updates”)

VI. The Board of Directors and The Audit Committee

1. The Board of Directors

Classification	Name	Position	Date of Appointment	Remark
Standing	Jung Jin SEO	Rep. Director	Mar 23, 2012	-
	Woo Sung KEE	Internal Director	Mar 27, 2014	
	Hyoung Ki KIM	Internal Director	Mar 27, 2014	
Non-Standing	Dong Il KIM	Outside Director	Mar 27, 2014	-
	Kyoung Ho LEE	Director	Mar 27, 2014	
	Yo Seop LEE	Outside Director	Mar 27, 2014	
	Kyun Seok CHO	Outside Director	Mar 27, 2014	
	Hong Hee CHO	Outside Director	Mar 27, 2014	
	Byoung Hoon JEON	Outside Director	Mar 27, 2014	
	Jong Suk LEE	Outside Director	Dec 8, 2014	

2. The Audit Committee

Classification	Name	Position	Date of Appointment	Remark
Non-Standing	Dong Il KIM	Outside Director	Mar 27, 2014	-
	Yo Seop LEE	Outside Director		
	Kyun Seok CHO	Outside Director		
	Hong Hee Cho	Outside Director		

VII. Information of Major Shareholders

(As of Dec 31, 2014)

(Unit: Share)

Shareholders	Number of Shares	Ownership Note)	Relationship with the company	Remark
Celltrion Holdings Co., Ltd etc.	23,092,403	22.30%	The largest shareholder and Specially Related Parties	-
ION INVESTMENTS B.V	15,417,426	14.89%	Major Shareholder	-
Total	38,509,829		-	-

Note) Ownership in % means the ratio of the number of shares by each shareholder to the total outstanding shares (103,569,771 shares, as of Dec 31, 2014)

VIII. Company and Subsidiary's or Subsidiary's Investments into Other Companies

	Company Name	Objective	Amount	Share- holding (%)
Domestic	Celltrion Pharma	Control of a company	KRW 92,435,518,620	48.2%
Domestic	Boston Incubation Partnership	Investment returns	KRW 1,800,000,000	25.0%
Domestic	IMM Investment	Investment returns	KRW 2,000,000,000	20.0%
Overseas	A&G Pharmaceutical, Inc.	New drug development	KRW 2,676,548,100	16.5%
Domestic	Biotoxtech	Investment returns	KRW 5,226,100,860	11.3%

IX. Major Creditors

Creditor	Description	Period	Term
Shinhan Bank	General facility fund: KRW 24.7 billion(*1)	2012.05.14 ~ 2017.05.14	Repayment in every six months with a one-and-a-half (1.5) year grace period
	Loan for operating fund: KRW 7.0 billion	2014.04.01 ~ 2015.03.03	Payment on Maturity date
	Loan for operating fund: KRW 20.0 billion	2014.08.01 ~ 2015.08.01	Payment on Maturity date
	Loan for operating fund: KRW 10.0 billion	2014.08.29 ~ 2015.08.29	Payment on Maturity date
	Loan for operating fund: KRW 20.0 billion	2013.06.12 ~ 2015.06.12	Payment on Maturity date
	Facility fund: KRW 20.0 billion(*2)	2011.09.25 ~ 2016.09.25	Repayment with a one (1) year grace period
	Loan for operating fund: KRW 20.0 billion	2014.10.19 ~ 2016.10.19	Payment on Maturity date
	Loan for operating fund: KRW 15.0 billion	2014.11.22 ~ 2015.11.22	Payment on Maturity date
	Loan for operating fund: KRW 15.0 billion	2014.06.03 ~ 2015.06.03	Payment on Maturity date
	Usance LC: KRW 10.0 billion	2014.12.30 ~ 2015.12.30	Payment on Maturity date
Woori Bank	Facility fund: KRW 27.0 billion	2014.12.24 ~ 2019.06.28	Repayment in every three months
	Facility fund: KRW 38.0 billion	2014.12.24 ~ 2019.12.24	Repayment in every three months
	Loan for in-house nursery: KRW 0.5 billion	2009.11.18 ~ 2021.12.29(*3)	Repayment in five years with a five-year grace period
	Loan for operating fund: KRW 15.0 billion	2014.07.25 ~ 2015.07.25	Payment on Maturity date
	Loan for operating fund: KRW 20.0 billion	2014.04.01 ~ 2015.04.01	Payment on Maturity date
	Usance LC: KRW 3.6 billion	2014.11.20 ~ 2015.11.20	Payment on Maturity date
Korea finance corp.	R&D fund: KRW 41.7 billion(*4)	2012.05.11(*5) ~ 2017.05.11	Repayment in every three months with a two-and-a-quarter (2.25) year grace period
	Loan for operating fund: KRW 40.0 billion	2014.09.12 ~ 2015.09.12	Payment on Maturity date

X. Major Events after Closing of Accounts

(N/A)