

Celltrion, Inc.

Annual Report

(For the period from Jan 1 through Dec 31, 2013)



Contents

I. Overview	3
II. Operation Updates	7
III. Information of Parent and Subsidiary Companies	10
IV. Operating Result and Asset Status of Recent Three Years	11
V. Pending Issues	13
VI. The Board of Directors and The Audit Committee	13
VII. Information of Major Shareholders	14
VIII. Investments Made in Other Companies by Company and Subsidiary or by Subsidiary	14
IX. Major Creditors	15
X. Major Events after Closing of Accounts	16

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 incidental to the foregoing activities

2. Principal Business

Manufacture and R&D of biopharmaceutical products

3. Office Information

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

4. Employee Status

(As of Dec 31, 2013)

	Mgmt./Admin.	R&D	Manufacturing	Total
Men	194	84	292	570
Women	150	57	203	410
Total	344	141	495	980

5. Shares

- ① Total number of authorized shares: 400,000,000 shares

- ② Number and type of issued shares

(As of Dec 31, 2013)

(Unit: Shares, KRW)

Type	Number	Worth
Non-bearer common shares	100,503,857	100,503,857,000

③ Changes in Capital

(Unit: Share, KRW)

Share Issuance Date	Issuance Type	Contents ^{Note 1)}			
		Shares	Issuance Price	Paid-in Capital	Remark
1991. 02. 27	Incorporation	1,000	50,000	50,000,000	
2000. 01. 26	Capitalization of earned surplus reserve	500	50,000	25,000,000	
2000. 01. 28	Initial 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 (by 3rd party allocation of newly issued shares)	400,000	2,000	1,400,000,000	
2005. 07. 14	Capital increase (by public offering)	1,200,000	5,200	2,000,000,000	
2006. 09. 29	Capital increase (Rights issues)	1,400,000	3,365	2,700,000,000	
2006. 09. 29	Capital increase (Bonus issues)	600,000	500	3,000,000,000	
2008. 05. 26	Capital increase (by 3rd party allocation of newly issued shares)	3,060,000	3,100	4,530,000,000	Celltrion, Inc. / private placement
2008. 08. 18	New share issuance for merger ^{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 (by 3rd party allocation of newly issued shares)	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	

Share Issuance Date	Issuance Type	Contents ^{Note 1)}			
		Shares	Issuance Price	Paid-in Capital	Remark
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 (Bonus issue)	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	

Note 1)

- Though ORChem officially merged Celltrion, Inc., it is the largest shareholder of Celltrion, Inc. that has actual control of the new company. In compliance with Accounting Standards for Merger and Acquisition, Celltrion Inc. was considered an acquiring company in accounting except 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

Settlement date	December 31 st
General shareholders meeting	Within 3 months after the end of the fiscal year
Shareholders registry closing period	January 1st ~ January 15 th
Share denominations	Registered common share (8 denominations): 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 agent	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: 4,031,217 shares
- ② Details

(Unit: shares, KRW)

	4th	5th	6th	7th	8th
Granting date	'05.03.29	'06.03.24	'07.3.23	'07.12.11	'08.03.27
No. of grantees	84	77	73	8	2
Exercise price	2,530	2,530	13,716	13,716	13,778
Granted shares	915,601	745,404	384,716	261,006	34,836
Granting-cancelled shares	99,861	132,140	75,230	-	-
No. of exercised shares	815,520	609,914	304,964	261,006	34,836
Exercise period	'08.3.29 ~ '14.3.28	'09.3.24 ~ '15.3.23	'10.3.23 ~ '16.3.22	'10.12.11 ~ '16.12.10	'11.3.27 ~ '17.3.26

	9th	10th	11th	12th	13th
Granting date	'09.03.20	'10.03.19	'11.03.18	'12.03.23	'13.03.22
No. of grantees	22	17	19	48	15
Exercise price	16,488	22,068	37,656	42,464	55,500
Granted shares	343,189	161,455	390,736	625,859	168,415
Granting-cancelled shares	64,296	55,408	48,352	69,104	15,000
No. of exercised shares	198,776	42,419	-	-	-
Exercise period	'12.3.20 ~ '18.3.19	15.3.23 ~ '21.3.22	'14.3.18 ~ '20.3.17	'15.3.23 ~ '21.3.22	'16.3.22 ~ '22.3.21

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
Off-shore 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 14,000L 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). 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

1) 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 to 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. Celltrion is preparing for global clinical trial phase 3 for this product.

2) 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 November 2013, Celltrion successfully completed phase 1 clinical trial for 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 in clinical trial phase 2A and the Company expects to commercialize CT-P27 in a short period time.

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 2013, 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.	220,484
Service	Product-related service	929
	consignment production	3,162
Sum	-	224,575

3. Financing

(Unit: Million KRW)

Financing Sources Note 2)	Balance Note 1)	New Finance Note 1)	Repayment Note 1)	Year-end Balance
Banks	462,964	96,995	144,134	415,825
Other financial institutions	125,000	-	15,000	110,000
Financial institutions in total	587,964	96,995	159,134	525,825
Other institutions	6,800	-	3,200	3,600
Other institutions in total	6,800	-	3,200	3,600
Capital Increase with Consideration	426,019	3,593	-	429,612
Overseas issuance of convertible bonds	-	332,370	52,625	279,745
Capital market in total	426,019	335,963	52,625	709,357
Total	1,020,783	432,958	214,959	1,238,782

Note 1) The figure is a balance of overdraft line of credit at the end of the year and the differences between beginning and ending balance are assumed as loans repaid or fund provided.

Note 2) The increase and decrease of yearly financing occurred from capital increase, new loans or repayment of loans. Refer to the details below.

4. Manufacturing Facility Investment

Manufacturing facility investment in plant 2 expansion ended last year, and no other major investment in current year.

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	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

Period 23: For the period from Jan 01, 2013 to Dec 31, 2013

Period 22: For the period from Jan 01, 2012 to Dec 31, 2012

Period 21: For the period from Jan 01, 2011 to Dec 31, 2011

Income Statement

(Unit: KRW)

Description	Period 23	Period 22	Period 21
I. Sales	224,575,287,050	348,955,192,699	278,592,584,401
II. Cost of Sales	(66,592,226,683)	(91,916,528,820)	(50,626,239,539)
III. Gross Profit on Sales	157,983,060,367	257,038,663,879	227,966,344,862
IV. General Administration Expenses	(56,999,516,323)	(59,947,965,640)	(47,479,665,850)
V. Operating Income(Loss)	100,983,544,044	197,090,698,239	180,486,679,012
VI. Other Income	40,364,703,939	6,673,093,493	4,559,537,319
VII. Other Loss	(14,171,005,258)	(10,020,732,755)	(6,086,473,523)
VIII. Financial Income	23,669,927,412	8,009,682,894	9,519,847,189
IX. Financial Loss	(34,080,752,024)	(16,878,216,401)	(2,848,076,922)
X. Income (Loss) from continuing operations before Income Tax	116,766,418,113	184,874,525,470	185,631,513,075
XI. Income(Loss) Tax Expenses on continuing operations	(13,012,009,015)	(13,253,678,754)	(15,582,862,975)
XII. Income from Continuing Operation	103,754,409,098	171,620,846,716	170,048,650,100
XIII. Gain(Loss) from Discontinued Operation	-	-	-
XIV. Net Income (Loss)	103,754,409,098	171,620,846,716	170,048,650,100

2. Status of Assets

Year 23: As of Dec 31, 2013

Year 22: As of Dec 31, 2012

Year 21: As of Dec 31, 2011

Statement of Financial Positions

(Unit: KRW)

Description	Year 23	Year 22	Year 21
Assets			
I. Current assets	548,633,793,721	572,331,414,999	275,219,372,893
1. Cash and cash equivalents	79,524,135,589	50,977,724,453	46,246,331,031
2. Short-term financial assets	15,038,228,357	44,171,704,937	6,897,426,481
3. Account receivables	271,232,536,861	371,500,965,301	157,705,691,508
4. Loan and other receivables	21,147,927,354	7,823,367,811	5,306,865,666
5. Inventory	135,418,381,165	77,221,464,150	39,740,387,035
6. Other current assets	26,272,584,395	20,636,188,347	19,322,671,172
II. Non-current assets	1,423,980,332,006	1,156,268,518,107	1,130,123,345,321
1. Long-term financial assets	68,583,762,026	8,162,539,850	8,998,639,400
2. Long-term account receivables			63,911,369,688
3. Loan and other long-term receivables	63,687,885,547	24,683,540,677	22,859,580,339
4. Investments in subsidiary and associate	54,126,924,638	2,929,172,928	16,231,470,023
5. Property plant and equipment	711,901,970,559	735,304,295,645	753,199,605,942
6. Intangible assets	502,501,161,104	376,244,857,169	260,224,627,941
7. Investment property	7,001,467,039	7,229,334,331	3,651,815,437
8. Deferred tax assets	14,763,973,956		
9. Other non-current assets	1,413,187,137	1,714,777,507	1,046,236,551
Total assets	1,972,614,125,727	1,728,599,933,106	1,405,342,718,214
Liabilities			
I. Current liabilities	490,306,287,014	412,180,846,100	375,766,959,236
1. Short-term financial liabilities	382,327,141,924	333,104,490,442	303,028,513,280
2. Account payable	13,427,228,591	2,021,440,109	3,736,106,654
3. Other payables and financial liabilities	69,620,498,455	55,843,049,977	50,047,984,758
4. Provisions			1,391,599,235
5. Current tax liabilities	20,137,075,942	16,190,106,799	15,450,092,827
6. Other current liabilities	4,794,342,102	5,021,758,773	2,112,662,482
II. Long-term liabilities	393,579,374,205	266,192,412,031	127,360,819,239
1. Long-term financial liabilities	393,093,374,205	261,630,710,000	109,488,568,000
2. Other long-term payables and financial liabilities	486,000,000	336,000,000	186,000,000
3. Deferred tax liabilities	-	4,225,702,031	17,686,251,239
Total liabilities	883,885,661,219	678,373,258,131	503,127,778,475
Stockholders' equity			
1. Capital stock	100,503,857,000	87,319,819,000	58,261,445,500
2. Additional paid-in capital	370,966,449,166	365,690,060,564	388,054,076,965
3. Retained earnings	736,468,150,916	648,268,679,478	488,170,221,862
4. Accumulated other comprehensive income	528,810,475	1,007,524,110	3,465,576,000
5. Other capital	(119,738,803,049)	(52,059,408,177)	(35,736,380,588)
Total stockholders' equity	1,088,728,464,508	1,050,226,674,975	902,214,939,739
Total liabilities and stockholders' equity	1,972,614,125,727	1,728,599,933,106	1,405,342,718,214

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	Representative Director	Mar 23, 2012	-
Non-Standing	Dong Il KIM Kyoung Ho LEE Yo Seop LEE Kyun Seok CHO Hong Hee CHO	Outside Director Director Outside Director Outside Director Outside Director	Mar 22, 2013	-

2. The Audit Committee

Classification	Name	Position	Date of Appointment	Remark
Non-Standing	Dong Il KIM Yo Seop LEE Kyun Seok CHO	Outside Director Outside Director Outside Director	Mar 22, 2013	-

VII. Information of Major Shareholders

(As of Dec 31, 2013)

(Unit: Shares)

Shareholders	Number of Shares held	Ownership Note)	Relationship with the company	Remark
Celltrion Holdings Co., Ltd, etc.	22,905,247	22.79%	The largest shareholder and related parties	-
ION INVESTMENTS B.V	14,968,375	14.89%	Major shareholder	-
Total	37,873,622		-	-

Note) Ownership in % means the ratio of the number of shares by each shareholder to the total outstanding shares (174,639,638 shares, as of Dec 31, 2012)

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

Location	Company Name	Objective	Amount (KRW)	Share-holding
Domestic	Celltrion Pharma	Control of a company	51,626,530,060	32%
Domestic	Boston Incubation Partnership	Investment return	2,500,000,000	25.0%
Domestic	Biotoxtech	Investment return	4,430,409,600	11.3%
Overseas	A&G Pharmaceutical, Inc.	New drug development	2,676,548,100	16.5%

IX. Major Creditors

Creditor	Description	Period	Term
Shinhan Bank	General facility fund: KRW 34.6 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	2013.04.01 ~ 2014.04.01	Payment on Maturity date
	Loan for operating fund: KRW 20.0 billion	2013.08.01 ~ 2014.08.01	Payment on Maturity date
	Loan for operating fund: KRW 10.0 billion	2013.08.29 ~ 2014.08.29	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 30.0 billion(*2)	2011.09.25 ~ 2016.09.25	Repayment with a one (1) year grace period
	Loan for operating fund: KRW 15.0 billion	2012.10.19 ~ 2014.10.19	Payment on Maturity date
	Usance LC: KRW 4.6 billion	2013.11.22 ~ 2014.11.22	Payment on Maturity date
Woori Bank	Facility fund: KRW 36.0 billion	2013.07.01 ~ 2014.07.01	Payment on Maturity date
	Facility fund: KRW 39.3 billion (*3)	2009.12.24 ~ 2014.12.24	Repayment in every six months with a one-and-a-half (1.5) year grace period
	Loan for in-house nursery: KRW 0.5 billion	2009.11.18 ~ 2021.12.29 (*4)	Repayment in five years with a five-year grace period
	Loan for operating fund: KRW 10.0 billion	2013.11.20 ~ 2014.11.20	Passbook loan
	Loan for operating fund: KRW 40.0 billion	2013.07.25 ~ 2014.07.25	Payment on Maturity date
	Loan for operating fund: KRW 20.0 billion	2013.04.01 ~ 2014.04.01	Payment on Maturity date
	Usance LC: KRW 0.8 billion	2013.09.09 ~ 2014.06.02	Payment on Maturity date

Creditor	Description	Period	Term
Korea finance corporation	R&D fund: KRW 50.0 billion	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 50.0 billion	2012.09.12 ~ 2014.09.12	Payment on Maturity date

(*1) As of the end of the fiscal period. The line of credit is KRW 49.4 billion

(*2) As of the end of the fiscal period. The line of credit is KRW 40.6 billion

(*3) As of the end of the fiscal period. The line of credit is KRW 55.0 billion

(*4) As of maturity date

(*5) As of borrowing date

X. Major Events after Closing of Accounts

(N/A)