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# Expanding Our Reach

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1Q 2011 Performance Results

May 2011

# Forward Looking Statements

The business results for the 1st quarter of 2011, currently under audit review, are presented here for investors' convenience. Hence, please be advised that some of their contents may be altered in the course of audit.

This presentation may contain "forward-looking statement." Forecasts and projections contained in this material are based on current business environments and management strategies, and they may differ from the actual results upon changes and unaccounted variables.

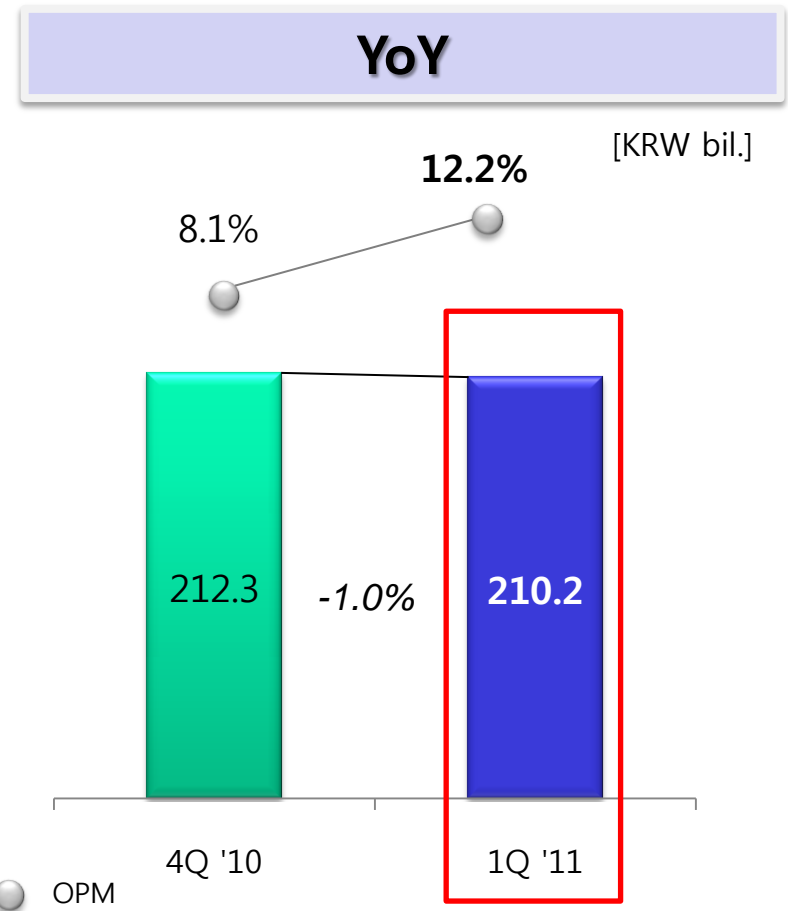
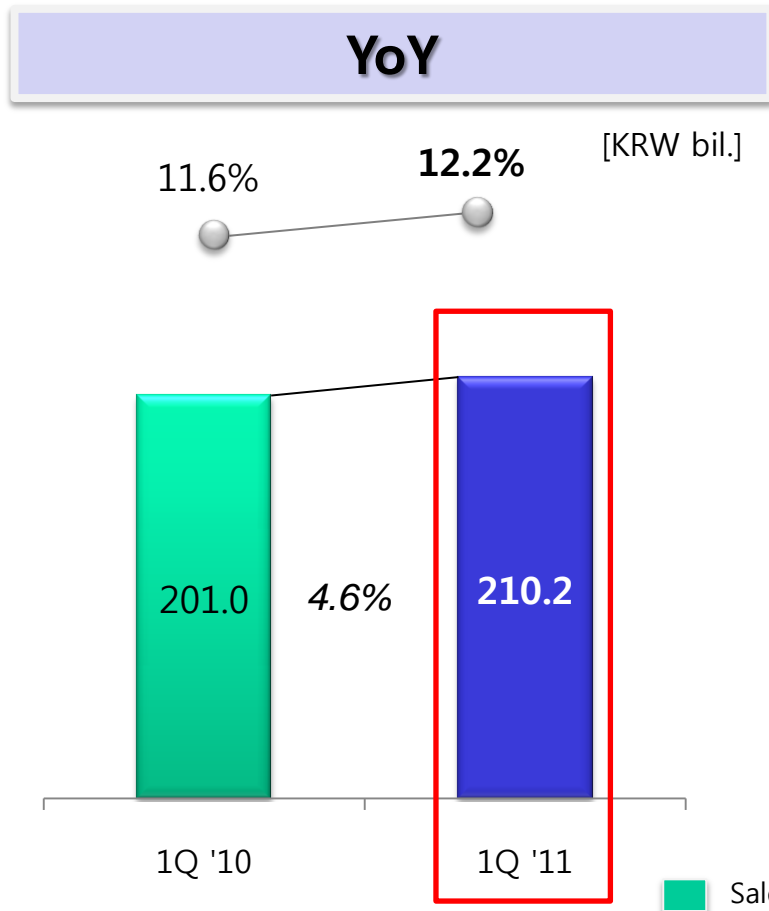
**I. Financial Performance (K-GAAP)**

**II.**

# I. Financial Performance (K-GAAP)

# I. Financial Performance - Sales

- Sales grew 4.6% YoY, lowered 1.0% QoQ to KRW120.2bil.
- Operating profit grew 10.4% YoY to KRW25.7bil. With 12.2% operating profit margin



# I. Financial Performance – Margin Analysis

- Operating profit margin improved 4.1%p due to decrease in CoGS and marketing related costs including support for research and advertisement

	1Q '10	4Q '10	1Q '11	YoY	QoQ
<i>Gross Profit Margin</i>	59.3%	57.8%	<b>60.2%</b>	0.9%p	2.4%p
<i>Operating Profit Margin</i>	11.6%	8.1%	<b>12.2%</b>	0.6%p	4.1%p
<i>SG&amp;A per Sales</i>	47.8%	49.8%	<b>48.0%</b>	0.2%p	-1.8%p
<i>HR Related Cost per Sales (Salary + Severance + Fringe Benefit)</i>	14.1%	14.7%	<b>15.1%</b>	1.0%p	0.4%p
<i>Advertisement Cost per Sales</i>	4.9%	4.9%	<b>4.2%</b>	-0.7%p	-0.7%p
<i>Support for Research cost per Sales</i>	4.2%	9.1%	<b>5.4%</b>	1.2%p	-3.7%p
<i>Sales Promotion per Sales</i>	8.0%	3.6%	<b>5.3%</b>	-2.7%p	1.7%p
<i>R&amp;D Cost per Sales (Reflected in SG&amp;A)</i>	7.5%	8.2%	<b>8.6%</b>	1.1%p	0.4%p

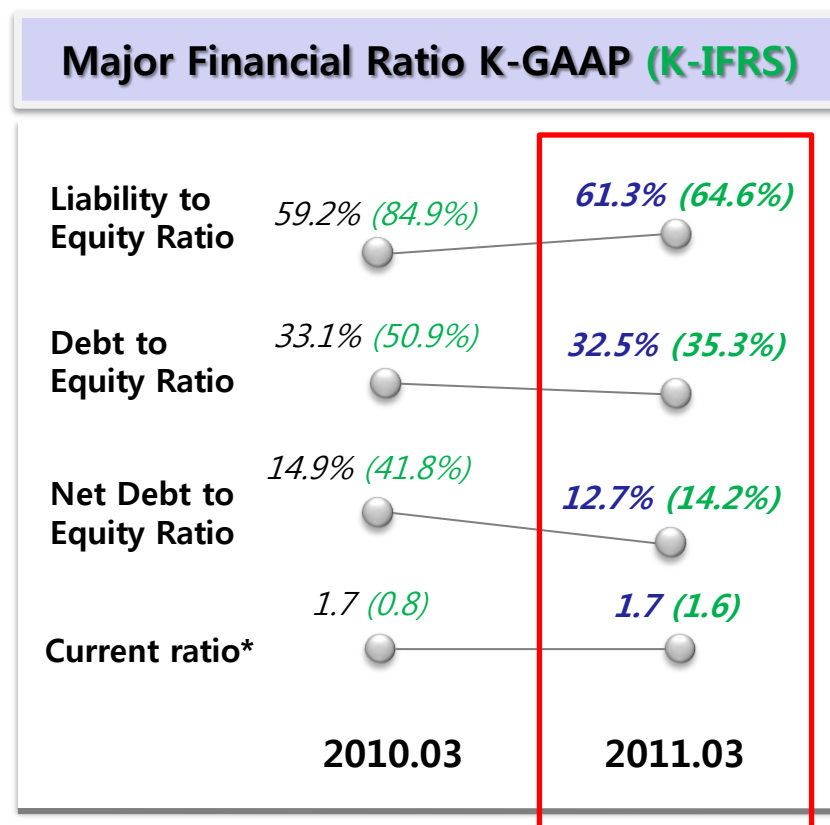
# I. Financial Performance – Balance Sheet

- Net debt to equity ratio lowered due to increase in cash

[KRW bil.]

	2010. 12	2011. 03	Change
<b>Total Asset</b>	1,160.4	<b>1,195.7</b>	3.0%
Cash*	132.6	<b>147.0</b>	10.9%
Payable	132.3	<b>134.1</b>	1.4%
Inventory	115.7	<b>118.9</b>	2.8%
<b>Total Liability</b>	431.6	<b>454.2</b>	5.2%
Debt	241.3	<b>240.9</b>	-0.0%
<b>Total Capital</b>	728.9	<b>741.5</b>	1.7%

\* Cash = Cash + Cash Equivalent + Short-Term Securities



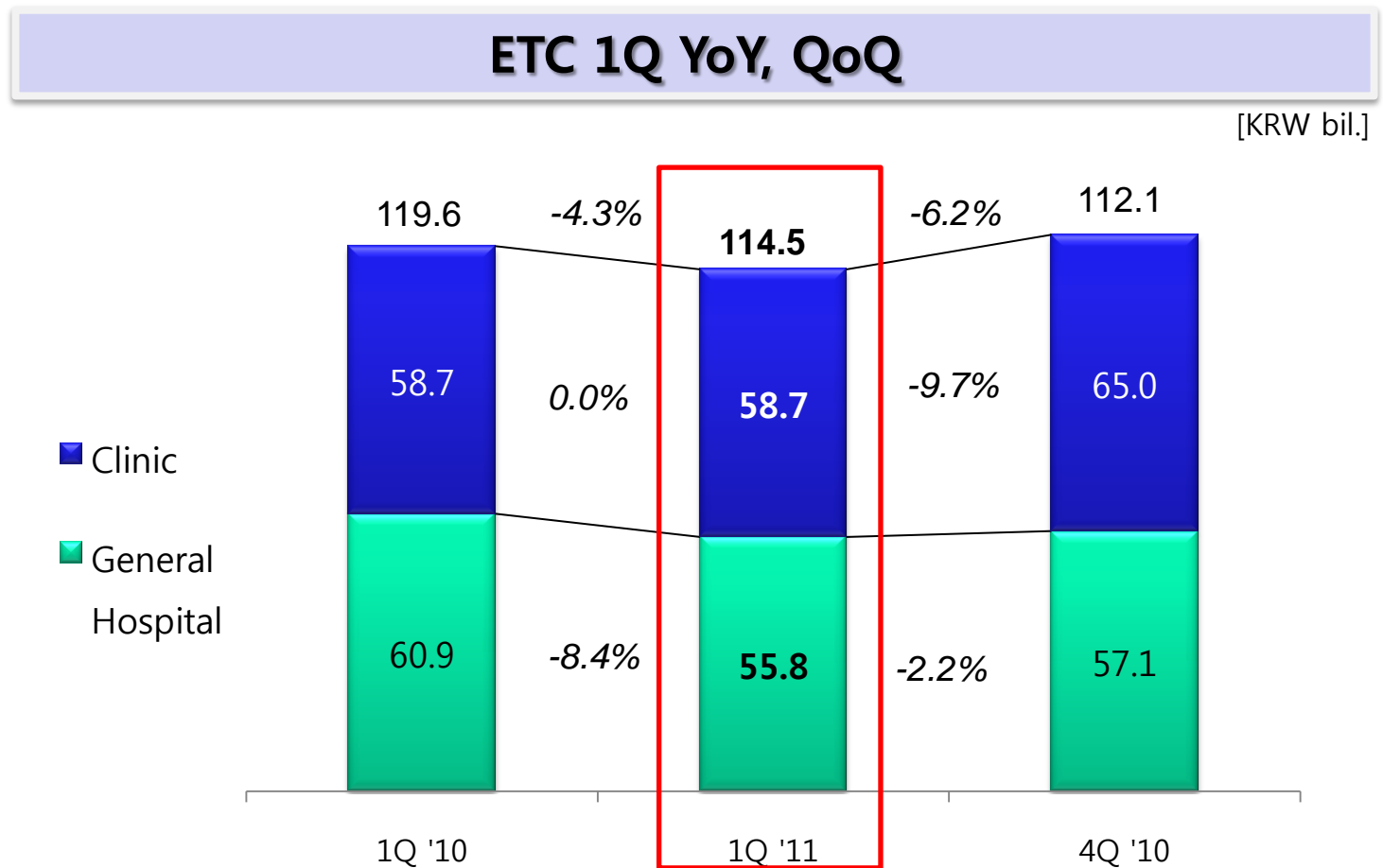
\* Current Asset / Current Liability

## II. Performance by Division



## II. Performance by Division – ETC (GH/Clinic)

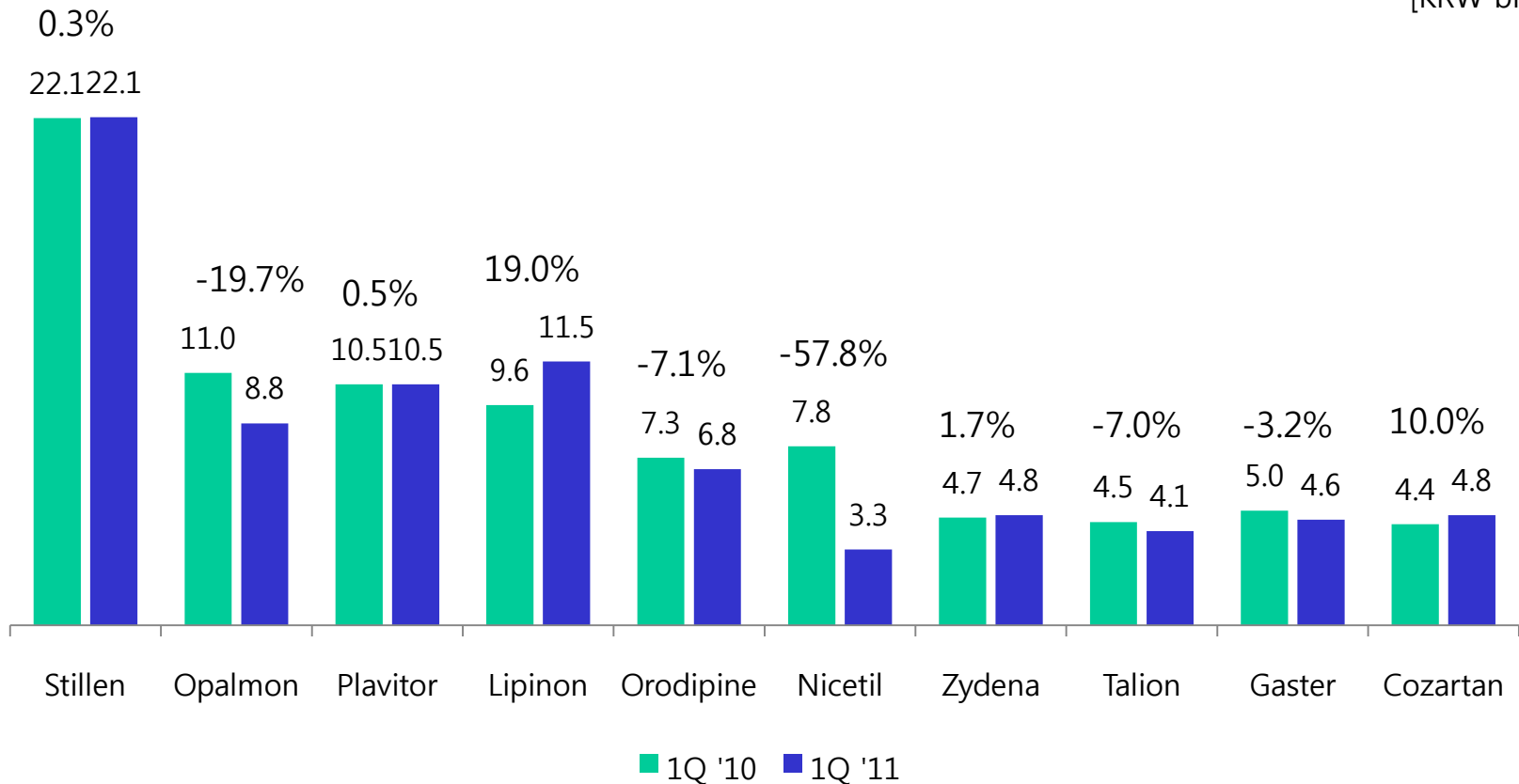
- ETC Sales dropped 4.3% YoY, 6.2% QoQ



## II. Performance by Division – ETC (GH/Clinic)

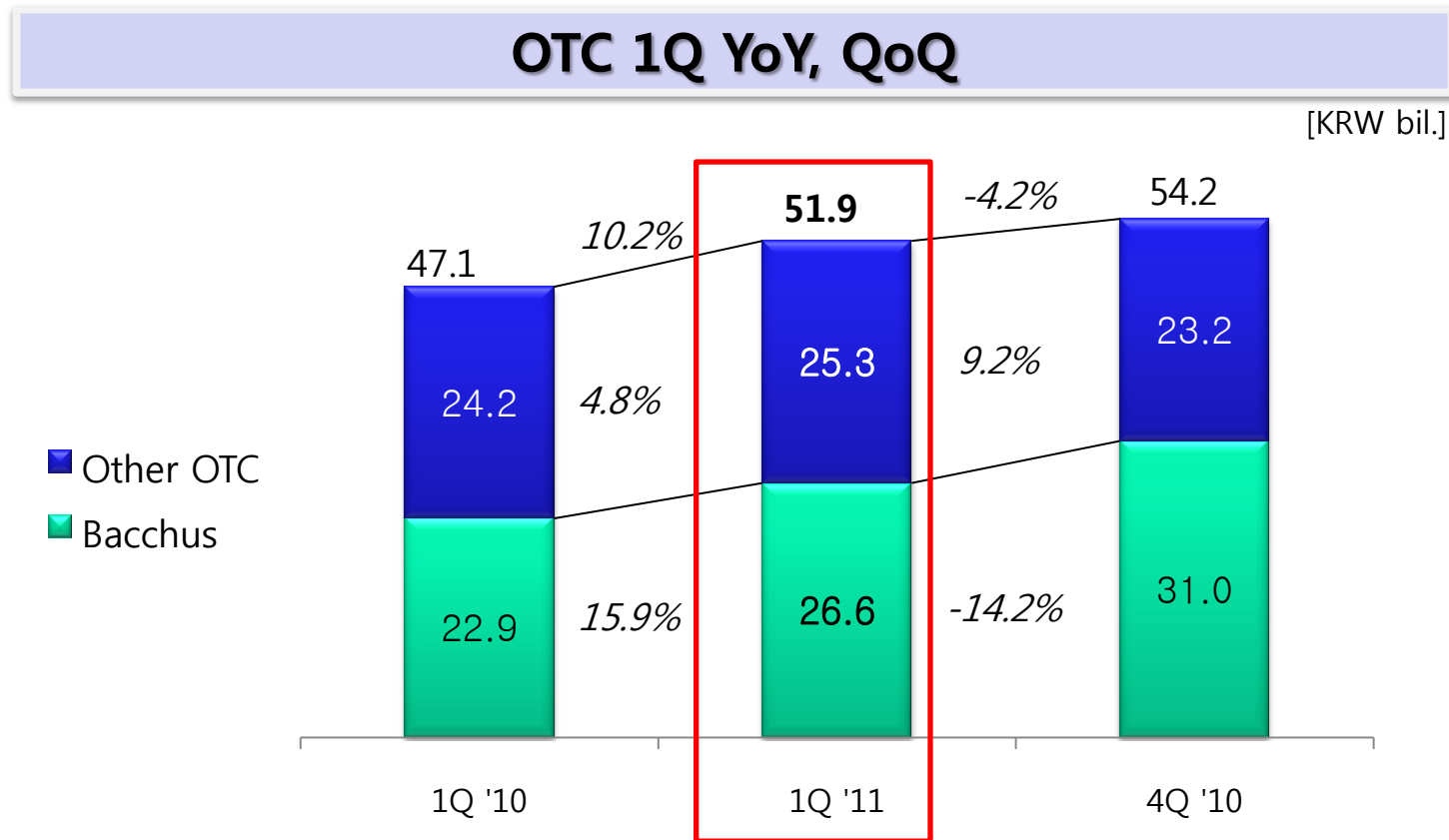
### Major ETC Products Growth

[KRW bil.]



## II. Performance by Division – OTC (Bacchus/Other)

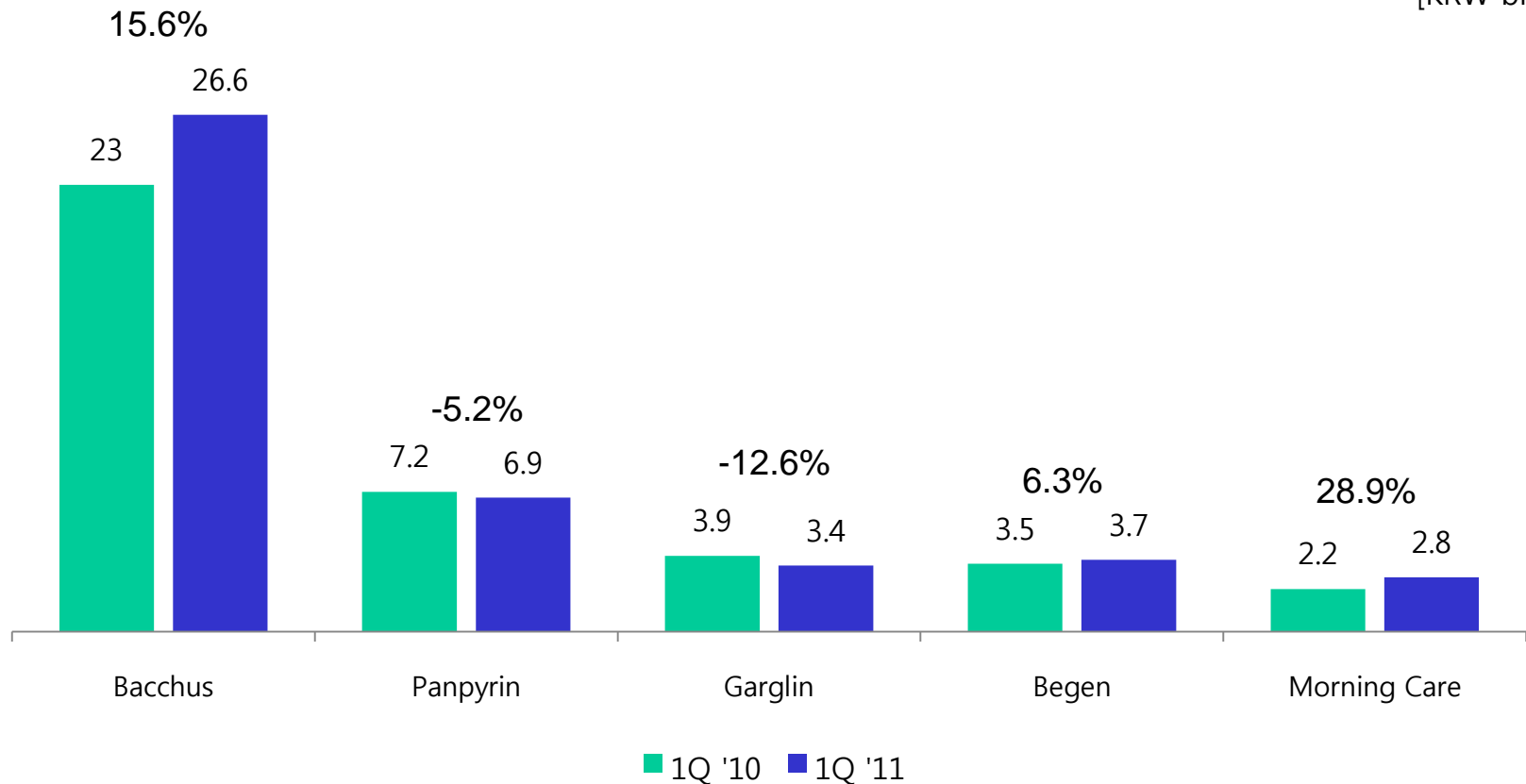
- OTC sales improved 10.2% YoY buoyed by 15.9% growth in Bacchus and 4.8% growth in Other OTC
- OTC sales dropped 4.2% QoQ due to 9.2% increase in Bacchus and 14.2% decrease in Other OTC



## II. Performance by Division – OTC (Bacchus/Other)

### Major OTC Products Growth

[KRW bil.]

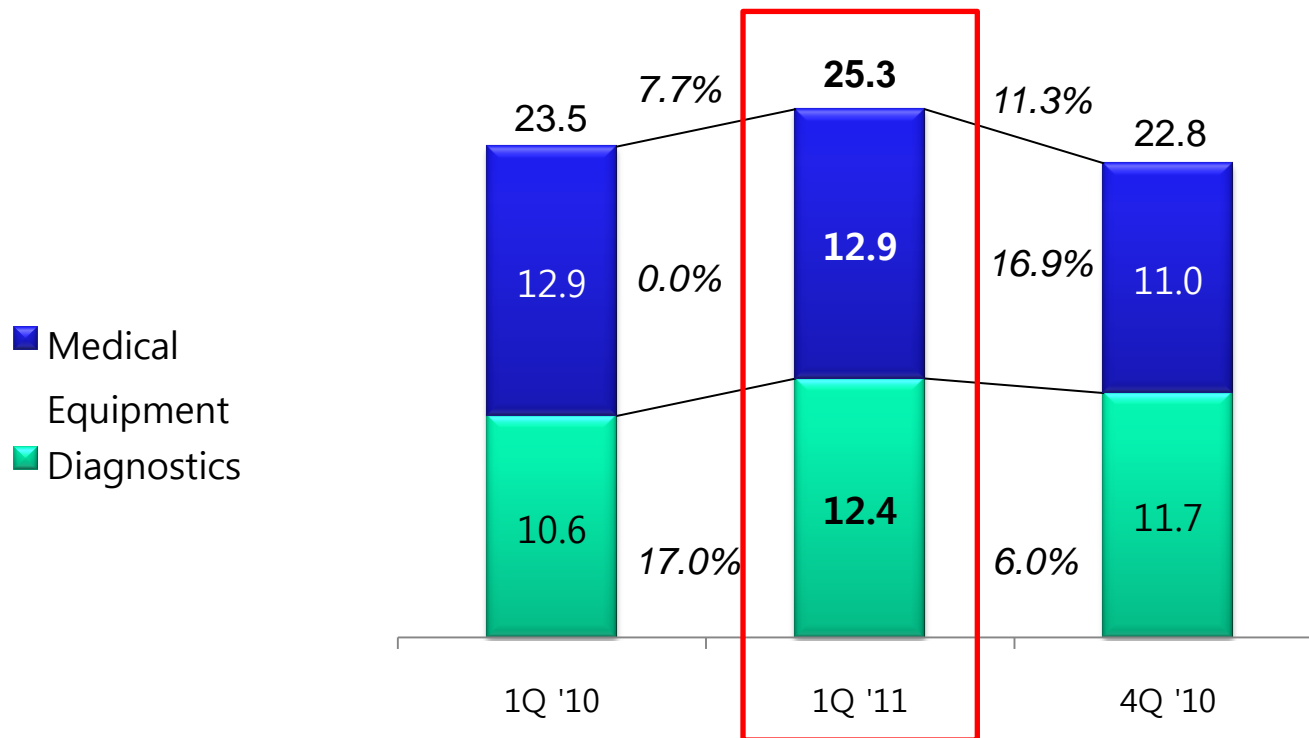


## II. Performance by Division – Medical

- Medical Equipment sales stayed stagnant YoY but grew 16.9% QoQ
- Diagnostics sales improved 17.0% YoY and 6.0% QoQ

### Medical 1Q YoY, QoQ

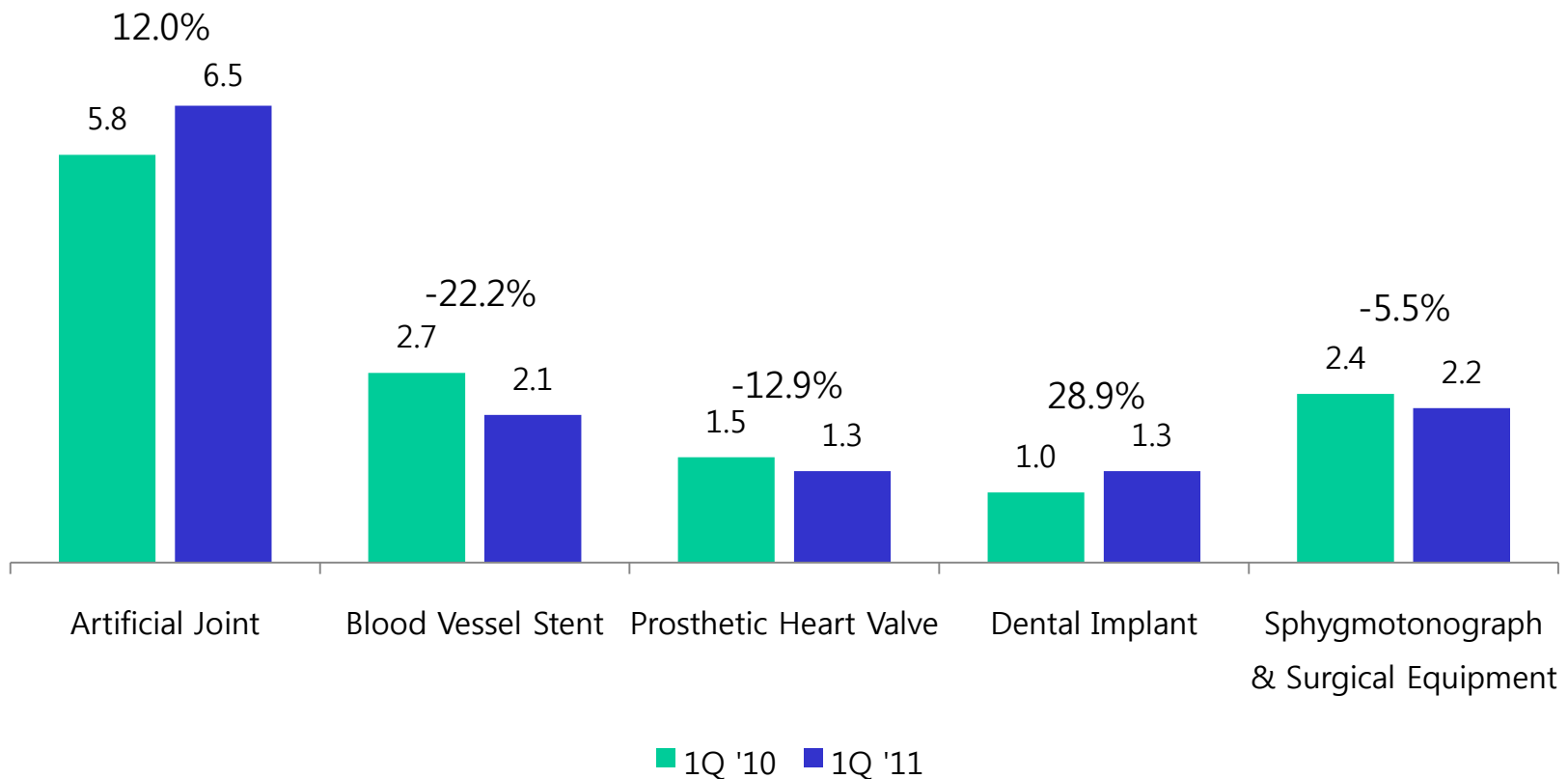
[KRW bil.]



## II. Performance by Division – Medical

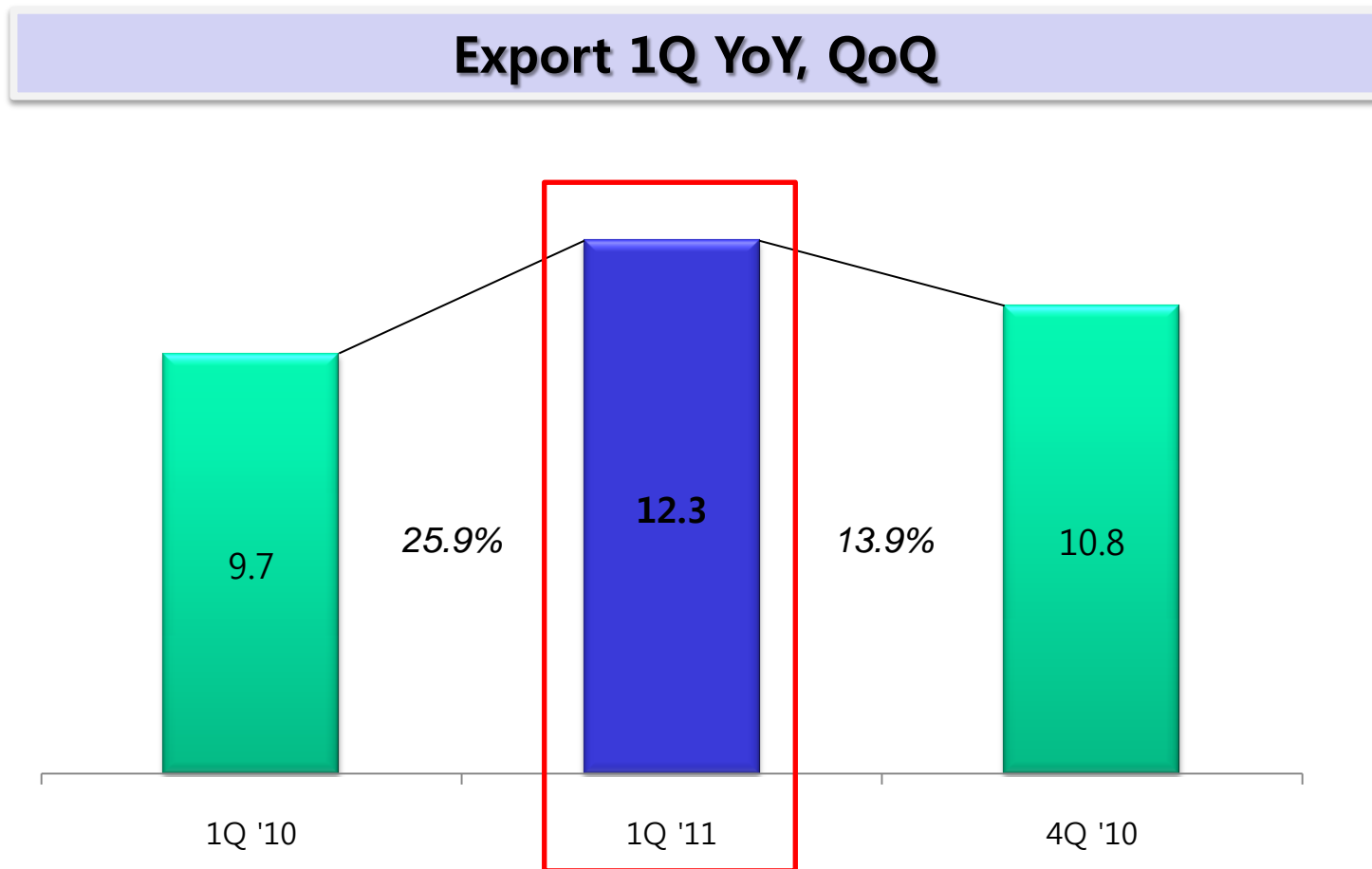
### Major Medical Products Growth

[KRW bil.]



## II. Performance by Division – Export

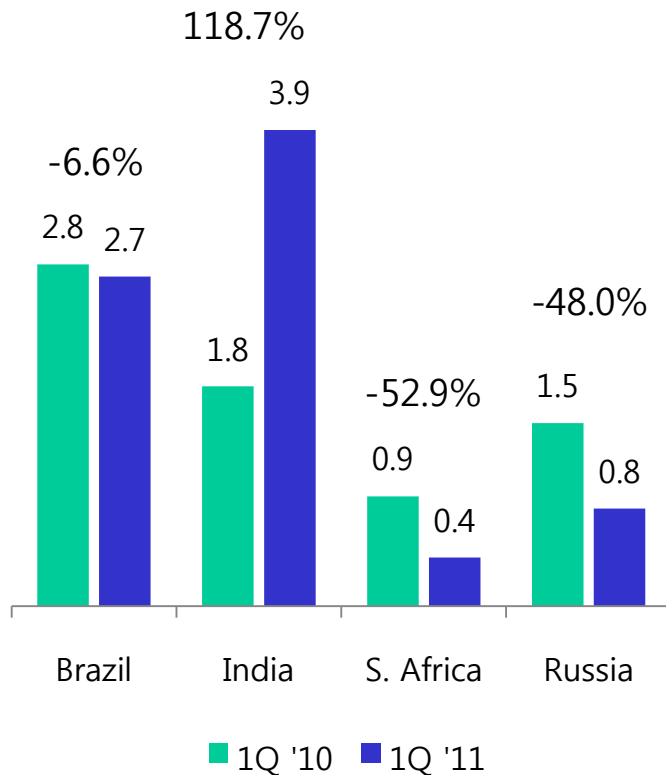
- Export sales grew 25.9% YoY, 13.9% QoQ



## II. Performance by Division – Export

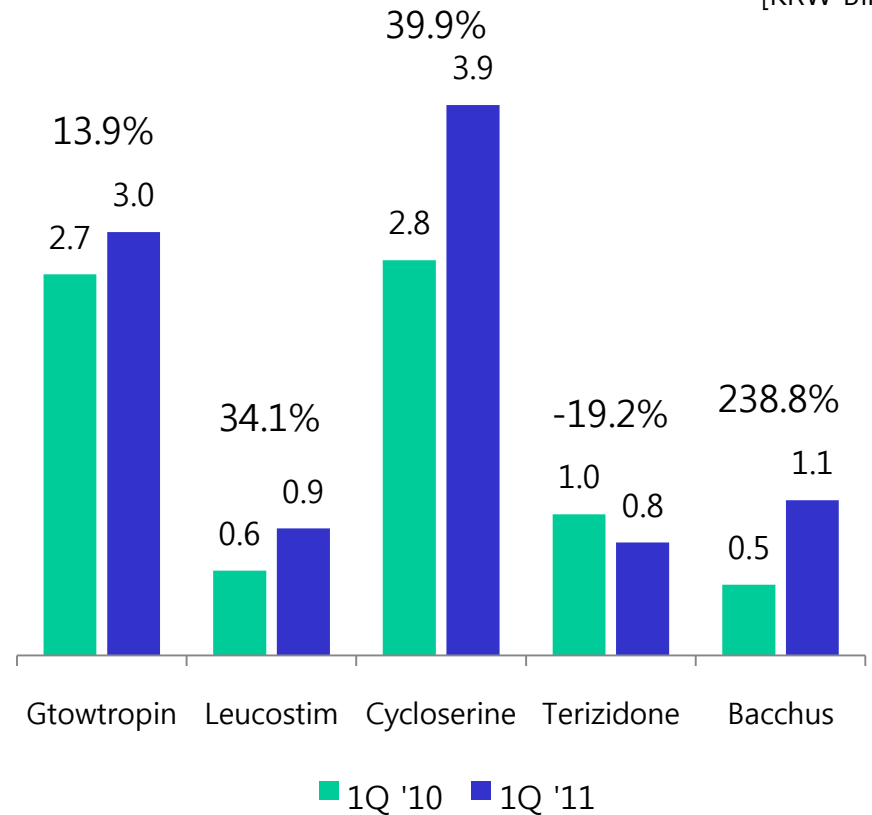
### Regional Growth

[KRW Bil.]



### Products Growth

[KRW Bil.]





### III. R&D Pipeline

### III. R&D Pipeline – New Chemical Entity (NCE)

TYPE	CODE NAME	MAJOR INDICATION	DESCRIPTION	STAGE
NCE	DA – 8159	Erectile Dysfunction	PDE-5 Inhibitor	Under Phase 3 (US) Warner Chilcott
		Benign Prostatic Hyperplasia		Phase 2 planned (US) Warner Chilcott
		Portal Hypertension		Under Phase 2 (EU) Dr. Falk
		Pulmonary Arterial Hypertension		Under Phase 2 (KR)
	DA – 7218	Infection (ABSSSI)	Oxazolidinone Class Antibiotic	Under Phase 3 (US) Trius Therapeutics
	Lung Infection	Phase 1 Completed (US) Trius Therapeutics		
	DA – 1229	Type 2 Diabetes	DPP-4 Inhibitor	Under Phase 2 (KR)
	DA - 6034	Gastritis	Flavone Derivative	Under Phase 3 (KR)
		Dry Eye		Phase 2 planned (KR)
	DA - 8031	Premature Ejaculation	SERT Inhibitor	Under Phase 1 (KR)

### III. R&D Pipeline – Phyto- & Bio-medicine

TYPE	CODE NAME	MAJOR INDICATION	DESCRIPTION	STAGE
Phyto	DA-9701	Functional Dyspepsia	Herbal Extracts	NDA (KR)
	DA-9801	Diabetic Neuropathy	Herbal Extracts	Phase 2 planned (KR)
Bio	DA-3801	Infertility (Ovulation Induction)	Recombinant FSH	Under Phase 3 (KR)
	DA-3803	Infertility	Recombinant hCG	Phase 3 planned (KR)
	DA-3030	Diabetic Neuropathy	G-CSF	Under Phase 2 (KR)
	DA-3031	Neutropenia	PEGylated-G-CSF	Under Phase 2 (KR)
	DA-3051	Multiple Sclerosis	Interferon- $\beta$	Under Phase 1 (Brazil) Bergamo
	DA-3091	Type 2 Diabetes	Long-acting Exenatide	Under Phase 1 (KR)
	DA-3607	Brain Tumor	TRAIL	Under Phase 1 (KR)

# R&D Pipeline – Other Bio-medicine

## R&D on Bio at Beginning Stage

- Biosimilar/better- DA-3811 (Gaucher Disease)
  - DA-3853 (Rheumatoid & Psoriatic Arthritis)
  - DA-3808 (Hemophilia A)
  - DA-3880 (Anemia of Chronic Renal Failure)
- Antibody -
  - DA-3111 (her2 Positive Breast Cancer)
  - DA-3131 (Solid Tumor)

## IV. Other Managerial Issue

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### ❖ Impact of Dual Punishment System

- Sluggish pharmaceutical industry continued for the time being due to the government's toughening crackdown on rebate practices
- In the longer run, however, companies such as Dong-A who has the strong brand power, diversified business portfolio and sound financials will be significantly benefited by changes in competitive landscape
- During the 2<sup>nd</sup> half, Dong-A will strive to overcome the unfavorable market situation with newly launching generic and original products

# IV. Other Managerial Issue

## ❖ Impact of Drug Expenditure Rationalization Plan

[10' Sales in KRW bil.]

	EFFECTIVE FROM 2H 2010	EFFECTIVE FROM 1H 2011	EFFECTIVE FROM 2H 2011
<b>Therapeutic Area</b>	Hypertension	Circulatory, Digestive, Gastric ulcer, Enteropathy, Osteoporosis	Diabetes, Antithrombotic, Antibiotic, Anti-virus, and Rest
<b>Impact on Dong-A</b>	<b>Product</b> None	Gaster® (19.1) – 20% Foy® (4.4) – 20% Prostandin® (3.1) – 20% Zofran® (1.5) – 15%	Growtropin® (17.2) – 4% Acrofen® (11.4) – 14% Epocelin® (10.0) – 20% Zovirax® (8.7) – 20% Eporon® (4.5) – 12% Carplan® (1.3) – 11% Others (3.5) – 20%
<b>Impact on Sales</b>	0%	About KRW2.0bil. drop in sales per year	About KRW2.5bil. drop in sales per year

## IV. Other Managerial Issue

### ❖ IFRS vs. K-GAAP Reconciliation – Statements of Income

[KRW bil.]

Account	K-GAAP	K-IFRS	Major Changes
Sales	210.2	210.2	
CoGS	83.7	82.3	Manufacturing cost dropped KRW1.4bil. due to change in depreciation method
Gross Profit	126.5	128.0	
SG&A	100.8	99.9	retirement allowance KRW 750 mil drop based on actuarial methodology
Other Income		3.6	Non-operating income(K-GAAP) except financial income/expenses reflected in operating income(K-IFRS)
Other Losses		1.3	
Operating Profit	25.7	30.3	net equity method gain of KRW1.5bil. eliminated (stand-alone IFRS allowed for quarterly results )
<i>OPM</i>	<i>12.2%</i>	<i>14.4%</i>	
Financial Income	7.6	1.8	
Financial Expenses	6.0	4.1	
EBT	27.4	28.1	
Tax Expenses	6.2	8.3	Deferred tax liability changes due to IFRS reconciliation
Net Income	21.1	25.2	
Comprehensive Income		26.2	Reflecting capital gain from translation gain on available for sales securities



## IV. Other Managerial Issue

### ❖ IFRS vs. K-GAAP Reconciliation – Statements of Financial Position

[KRW bil.]

Account	K-GAAP	K-IFRS	Major Changes
<b>Current Assets</b>	401.2	403.4	-Payable up KRW65 bil as export transaction(D/A*) included in payable account -Methodology for provision on securities changed from aging method to actuarial method, increasing KRW 2 bil in provision -KRW 59 bil eliminated from netting of deferred tax asset and liability
<b>Non-current Assets</b>	792.5	739.5	-KRW 81 bil decrease in equity method investment reflecting historical value(acquisition cost) rather than equity method -Depreciation accumulation changes due to changes in depreciation method
<b>Total Assets</b>	1,193.7	1,143.0	
<b>Current Liabilities</b>	242.1	254.0	-Short term debt up KRW65.4 bil as export transaction(D/A*) included in debt account -Increase in accrued expense of KRW5.2 bil for accounting methodology change s for unused compensated absence
<b>Non-current Liabilities</b>	212.7	194.5	-Retirement benefit allowance of KRW 9.5 bil dropped on actuarial methodology -K-IFRS reconciliation on cost reflected in deferred tax liability
<b>Total Liabilities</b>	454.8	478.5	
<b>Total Stockholders' Equity</b>	738.9	694.4	-KRW 57.5bil less in total capital due changes from equity method to historical value (acquisition cost) -increase in unappropriated earned surplus of KRW 21 bil.

# Appendix

# Condensed Statements of Income (K-GAAP)

[KRW bil.]

	2007	2008	2009	1Q '10	2Q '10	3Q '10	4Q '10	2010	1Q '11
<b>Sales</b>	686.8	702.3	801.1	201.0	221.4	212.1	212.3	846.8	<b>210.2</b>
<b>CoGS</b>	306.8	259.2	323.2	81.7	86.4	87.9	89.6	345.6	<b>83.7</b>
<b>Gross Profit</b>	380.0	443.1	477.9	119.3	135.0	124.2	122.7	501.3	<b>126.5</b>
<b>SG&amp;A</b>	304.2	361.4	386.0	96.0	106.3	94.7	105.6	402.7	<b>100.8</b>
<b>Operating Profit</b>	75.8	81.7	91.9	23.3	28.7	29.5	17.1	98.5	<b>25.7</b>
<b>Interest Cost</b>	12.7	13.1	15.5	3.7	4.8	4.5	1.3	14.3	<b>3.1</b>
<b>EBT</b>	57.4	71.0	85.1	21.1	37.8	17.5	22.4	98.8	<b>27.4</b>
<b>Net Profit</b>	34.8	43.4	63.3	15.5	33.2	11.2	13.2	73.1	<b>21.1</b>
<b>GP Margin</b>	55.3%	63.1%	59.7%	59.3%	61.0%	58.6%	57.8%	59.2%	<b>60.2%</b>
<b>OP Margin</b>	11.0%	11.6%	11.5%	11.6%	12.9%	13.9%	8.1%	11.6%	<b>12.2%</b>
<b>EBT Margin</b>	8.4%	10.1%	10.5%	10.5%	17.1%	8.3%	10.6%	11.7%	<b>13.0%</b>
<b>NP Margin</b>	5.1%	6.2%	7.9%	7.7%	15.0%	5.3%	6.2%	8.6%	<b>10.0%</b>

# Condensed Statements of Financial Position (K-GAAP)

[KRW bil.]

	2007	2008	2009	1Q '10	2Q '10	3Q '10	4Q '10	1Q '11
<b>Total Assets</b>	671.0	731.6	1,000.0	1,025.8	1,188.2	1,175.0	1,160.4	<b>1,193.7</b>
<b>Current Assets</b>	284.3	292.7	294.7	301.7	448.2	438.6	380.4	<b>401.2</b>
<b>Cash</b>	51.2	44.5	44.8	54.9	177.5	181.8	132.6	<b>147.0</b>
<b>Receivables</b>	138.2	134.9	133.8	134.9	138.0	136.0	132.3	<b>134.1</b>
<b>Inventories</b>	94.7	109.0	118.2	111.4	109.3	112.4	115.7	<b>118.9</b>
<b>Fixed Assets</b>	386.6	438.9	705.3	724.1	740.0	736.4	780.0	<b>792.5</b>
<b>Total Liabilities</b>	343.0	381.4	420.0	440.5	474.4	447.3	431.6	<b>454.8</b>
<b>Current Liabilities</b>	216.2	249.1	316.0	335.6	240.8	200.9	222.1	<b>242.1</b>
<b>Fixed liabilities</b>	126.8	132.3	103.9	104.9	233.5	246.4	209.4	<b>212.7</b>
<b>Total Equity</b>	328.0	350.2	580.1	585.3	713.9	727.7	728.9	<b>738.9</b>
<b>Liability to Equity Ratio</b>	104.6%	108.9	72.4%	75.3%	66.5%	61.5%	59.2%	<b>61.6%</b>
<b>Debt to Equity Ratio</b>	61.2%	69.0%	42.6%	43.3%	38.4%	33.5%	33.1%	<b>32.6%</b>
<b>Net Debt to Equity Ratio</b>	49.8%	56.3%	34.8%	33.9%	13.5%	8.5%	14.9%	<b>12.7%</b>

# Performance by Division

[KRW bil.]

Division	2007	2008	2009	1Q '10	2Q '10	3Q '10	4Q '10	2010	1Q '11
<b>ETC</b>	316.5	398.4	463.1	120.0	124.2	115.4	122.1	481.3	<b>114.5</b>
<b>Bacchus</b>	112.5	118.8	116.5	23.0	36.8	37.6	31.0	128.3	<b>26.6</b>
<b>OTC</b>	88.4	80.2	93.2	24.2	24.0	22.0	23.2	93.4	<b>25.3</b>
<b>Medical Equipment</b>	56.8	32.6	39.7	12.9	11.7	10.4	11.0	46.0	<b>12.9</b>
<b>Diagnostics</b>	33.2	37.1	41.3	10.6	11.4	11.6	11.7	45.3	<b>12.4</b>
<b>Export</b>	19.4	26.1	37.4	9.7	12.4	12.0	10.8	45.0	<b>12.3</b>

# Major Products Sales (ETC)

[KRW bil.]

Products	2007	2008	2009	1Q '10	2Q '10	3Q '10	4Q '10	2010	1Q '11
Stillen	60.2	74.8	85.4	22.1	22.4	20.7	22.5	87.7	<b>22.1</b>
Opalmon	23.5	31.9	40.6	11.0	12.3	13.2	7.8	44.3	<b>8.8</b>
Plavitor	13.0	29.9	39.7	10.5	10.5	10.9	11.7	43.6	<b>10.5</b>
Lipinon	-	9.6	30.9	9.6	10.4	10.2	10.7	40.9	<b>11.5</b>
Orodipine	13.4	23.2	28.2	7.3	7.5	7.0	7.1	28.9	<b>6.8</b>
Nicetile	30.5	37.9	34.3	7.8	9.1	5.4	4.0	26.3	<b>3.3</b>
Gaster	14.3	16.7	18.5	4.8	4.5	4.9	4.9	19.1	<b>4.6</b>
Growtropin	14.7	14.4	15.6	4.4	4.0	4.5	4.3	17.2	<b>4.8</b>
Zydena	11.2	14.2	16.3	4.7	4.7	4.4	6.2	20.0	<b>4.8</b>
Cozartan	-	-	12.9	4.4	4.5	4.4	4.7	18.0	<b>4.8</b>
Talion	11.9	15.4	18.6	4.5	5.2	4.1	5.8	19.6	<b>4.1</b>
Glimel	11.5	13.6	15.1	4.1	4.1	3.6	3.7	15.5	<b>3.8</b>
Acrofen	7.9	11.0	11.6	2.7	3.0	2.9	2.8	11.4	<b>2.8</b>
Valtrex	6.4	9.1	10.3	2.5	2.4	2.6	2.5	10.0	<b>1.2</b>
Epocelin	11.4	10.9	10.3	2.3	2.2	2.5	3.0	10.0	<b>1.9</b>
Onon	9.1	10.9	11.7	3.0	3.3	2.4	3.7	12.4	<b>2.9</b>
Tanatril	9.6	10.2	4.7	1.1	1.2	1.0	1.2	4.5	<b>1.0</b>

# Major Products Sales (OTC)

[KRW bil.]

Products	2007	2008	2009	1Q '10	2Q '10	3Q '10	4Q '10	2010	1Q '11
<b>Bacchus</b>	112.5	118.8	116.5	23.0	36.8	37.6	31.0	128.3	<b>26.6</b>
<b>Panpyrin</b>	17.8	5.3	19.9	7.2	5.0	4.9	6.7	23.8	<b>6.9</b>
<b>Begen</b>	19.0	4.5	15.3	3.4	3.5	4.2	2.6	13.7	<b>3.7</b>
<b>Garglin</b>	13.3	3.5	15.6	4.2	4.6	2.9	3.2	14.9	<b>3.4</b>
<b>Morning Care</b>	8.2	3.2	12.2	2.0	2.6	1.8	3.4	9.8	<b>2.8</b>

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.

IMAGE DESCRIPTION: The Main Building of Dong-A Pharmaceutical Headquarters

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## CORPORATE INFORMATION & IR INFORMATION

### CORPORATE INFORMATION

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#### Date of Establishment

June 1932

#### Securities Listings

Korea Stock Exchange: 000640

#### Annual General Meeting

March 18, 2011

#### Information Availability

<http://www.donga-pharm.com>