



# PROGRESS *and* INTEGRITY

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**PROGRESS & INTEGRITY**  
through  
Overcoming Challenges & New value Creation



Valuable Assets

## YUHAN'S STORIES

Yuhan Corporation has five invaluable assets that have remained in place since its foundation: the founder, Dr. Ilhan New, who was a pioneer in social contribution; an established system of returning corporate profit to society in line with the founding philosophy; an advanced corporate governance system that allows for accountable management independent from the owners; an open corporate culture that ensures fair opportunities for all to reach top management; and a company where every single member—from top to bottom—shares a sense of ownership. These five things not only differentiate Yuhan Corporation from all other Korean companies, but constitute our competitiveness, which has seen us rise to where we stand today.

### 01

#### Dr. Ilhan New: A Businessman Ahead of His Time

In recognition of practices and achievements over the course of his lifetime, Dr. Ilhan New continues to be greatly respected by everyone at Yuhan Corporation. A businessman ahead of his time in his commitment to society, he not only gave back everything he owned to society, but also set an admirable example for all Koreans as an innovative entrepreneur, social worker, independent activist, and educator.

### 02

#### Virtuous Circle of Corporate Profits

A company's pursuit of profits should drive the development of society and contribute to its prosperity, not individual wealth and prosperity. This was the maxim of Dr. Ilhan New during his lifetime and the founding philosophy of Yuhan Corporation in 1926. It is also what he devoted his life to translating into action. Upon his death, he bequeathed his entire wealth to social initiatives and established a system of contributing to society through corporate activities. This unprecedented means of returning profits, along with his sense of altruism, is still Yuhan's most invaluable asset.



### 03

#### Sound Corporate Governance

Yuhan's largest shareholders consist of a non-profit foundation and organization (the Yuhan Foundation and Yuhan School) as well as foreign investors. The company's ownership structure resembles more a non-profit organization than a private company. Under the belief that a company belongs to the society it serves with its leaders serving as mere stewards entrusted with its care, Dr. New appointed top executives through open recruitments. This tradition is still in place today and represents Yuhan's unique system that enables independent and responsible management.

### 04

#### Your Dreams Come True Here

Although most business workers dream of one day becoming a CEO, everybody knows that few people ever achieve this goal. However, this is made possible at Yuhan. Ever since 1969, when Dr. New appointed someone who had no blood relations to him as his successor—president and CEO of the company—Yuhan has carried on this meritocracy of CEO promotion from within for decades. In fact, for almost 50 years every CEO at Yuhan Corporation has been hired internally from among those who started their careers as entry-level employees and subsequently built a career within the company.

### 05

#### Employee and Management Bound Together by Ownership

Yuhan Corporation has remained free of labor disputes since its foundation in 1926. Guided by Dr. New's notion that "All members of a company are part of a greater community that is bound together by a common goal," everyone at Yuhan Corporation is part owner of the company. While Yuhan, unlike any other Korean company, has no labor relations issues to deal with, it is bound together by strong ownership.



**PROGRESS & INTEGRITY**  
through  
Overcoming Challenges & New value Creation

Making great achievements  
through active  
**R&D investment**

LICENSE-OUT

Lazertinib license-out to  
Janssen Biotech, Inc.

\$1,255,000,000

License-out of a NASH drug candidate to  
Gilead Sciences, Inc.

\$785,000,000

License-out of degenerative disc drug  
YH14618 to Spine Biopharma, LLC

\$218,150,000

Successful completion of phase I clinical trials on the antibiotic anti-cancer immunotherapy IMC-001

## IMC-001

Successful development of YHC2106, a new anti-cancer immunotherapeutic candidate

## YHC2106

Patent filed for anti-cancer immunotherapeutic candidate YHC2101 (early 2018)

## YHC2101

Focusing on strategic areas for **further growth**

Expecting even better results  
for **great & global Yuhan**

GLOBAL NETWORK EXPANSION

Launch of Yuhan USA paved the way for the global expansion of Yuhan's open innovation platform

## America

The representative office in Vietnam provided a foothold into ASEAN markets

## Asean

Yuhan Hong Kong will serve as the stepping stone to China, the world's second largest pharmaceutical market

## China

Yuhan Uzbekistan sells in-house developed medical supplies

## CIS

Launch of a subsidiary in Australia for new drug pipelines

## Oceania



Enlarging our business  
value to be a  
**lifecare partner**

NEW ORIGIN

Launch of New Origin,  
a premium health and lifestyle  
brand, in 2018

40 Products

Expanding consumer contact points  
into the Seoul Metropolitan area  
and South Gyeongsang province

9 Concept Stores

16 Shop-in-Shops

Committed to contributing to public health since its foundation, Yuhan Corporation has grown alongside Koreans and received tremendous support from people because of this initiative. For the past century, we have remained steadfast to the commitment we first made, while also embracing changes that have taken place in the new era and the business environment to generate greater value for everybody. By focusing on R&D that takes a far-sighted approach and exhibits true determination, we are making real strides towards a bold vision as we move into a better future.

In addition, we have focused on moving beyond pharmaceuticals and opening new horizons for the healthcare and lifestyle industries. During this business expansion, however, we have remained steadfast to the imperative of health for all by applying such values in a like manner. Growing beyond the domestic market, we are expanding into overseas, taking one step after another to grow into a leading global company that promotes public health all over the world.

## Message from the CEO



By creating new value, we are one step closer to our goal of becoming “Global Yuhan.”

Respected stakeholders,

I am pleased to report sound business results for the past year, and to set a new vision for the coming year.

Over the past year, the business environment was shrouded in challenges amid downbeat economies, at home and abroad, and escalating tension in the U.S.-China trade dispute coupled with rising interest rates and a rising Korean won-U.S. dollar rate. Nevertheless, everyone at Yuhan Corporation worked hard to achieve a robust four percent year-on-year growth in sales, which reached KRW 1,506.8 billion. This was the first time any Korean pharmaceutical company had surpassed the KRW 1.5 trillion mark. On top of that, Yuhan was again able to take the No. 1 ranking in terms of the sales, which it has maintained since 2013.

When it came to profitability, operating profits declined by 24 percent over the previous year to KRW 60.9 billion, mainly due to the 9 percent year-on-year growth in R&D expenses (KRW 110.5 billion) and investments in new businesses in pursuit of future growth engines. Although we devoted our consistent efforts to enhance profitability by revamping a product portfolio and taking internal stability initiatives, for example, your disappointment at such results is not without cause.

Despite all the economic difficulties, however, Yuhan Corporation was able to generate new value over the past year, rebounding as the market leader both in name and status. We also expanded our global network, getting one step closer to our goal of becoming “Global Yuhan.” While we make consistent efforts toward optimizing resource planning and process management for internal stability, we have also bolstered our existing business competencies and expanded our global network to discover new business areas. More importantly, we strived to reinforce our R&D competencies through an open innovation initiative.

Of particular note in 2018 was that Yuhan was active in R&D initiatives more than ever. As a result, we out-licensed the degenerative arthritis drug YH14618 to Spine Biopharma in July, and the lung cancer drug Lazertinib to Janssen Biotech in November of the same year. In January 2019, we also out-licensed the breakthrough therapeutic candidate for nonalcoholic steatohepatitis to Gilead. Totaling KRW 2.5 trillion, the cumulative collaboration and licensing deals speak volumes of our technological prowess as Korea’s leading R&D-oriented pharmaceutical company and enhanced our corporate value as well.

In a bid to further our open innovation strategy, we have entered into new partnerships with prospective Korean bio ventures, such as Abclon, Bridge Bio, Good T-Cell and ABL Bio.

As for new businesses related to health supplements—another pivotal sector of the company’s future growth engine—we launched the New Origin brand in April 2018. Today, it has nine stores in Yeouido IFC Mall, Dongbu Ichon-dong and Dongtan, as well as department stores and shopping malls, in addition to being available online. We are now making every effort to foster New Origin into a global brand name.

As part of our global expansion and localization strategy, we established Yuhan USA, Yuhan Uzbekistan, and Yuhan Hong Kong Ltd. in 2018, and a joint venture with China’s Hiking Group and Yuhan Australia & New Zealand (ANZ) in 2019.

In fulfilling our corporate social responsibilities, and in compliance with transparent and ethical management practices, we earned the ISO37001 anti-bribery management system certification in March 2018. The Compliance Program also expanded to a company-wide level, while all of our employees are now united in the company’s commitment to corporate social responsibilities through volunteer activities.

In addition to our sound financial stability, Yuhan Corporation has earned external recognition for its sound management practices. In March 2018, the company was awarded the Gold Tower Order of Industrial Merit for its contribution to the development of the Korean economy at the 45th Commerce and Industry Day celebration ceremony. Yuhan was also ranked first among pharmaceutical companies on the list of Korea’s Most Admired Companies by the Korea Management Association, while ranking third place on the “All Star” list at the same awards.

In the coming year, we are prepared to embrace change and innovation to sustain growth with a positive mindset and an enterprising spirit. Our business goal for 2019 is to be “Great & Global” in an effort to solidify our market position in the domestic pharmaceutical industry, while strategically increasing investments into future growth drivers through effective management of our resources.

Our open innovation initiative will remain steady in 2019 in order to further reinforce our R&D competencies for the long run. While accelerating our globalization plan, we will actively explore overseas markets to further expand our global network in pursuit of realizing more growth potential. This will be backed by our innovation drive in the business portfolio, with new drug R&D and business opportunities.

By applying the fair competition and compliance program company-wide, we will continuously strive to establish such corporate culture through the practices of ethical and transparent management. This is our vision of becoming a leading company that is admired by the nation for sharing growth with all stakeholders.

Just as we have maintained growth for the past 93 years firmly based on your support and encouragement, Yuhan Corporation and all of its 1,860 employees will make a concerted effort to attain our shared goals. As we work arduously to further our competitiveness as a leading global pharmaceutical company, we will grow alongside our stakeholders by sharing the fruits of our success with you.

Thank you.



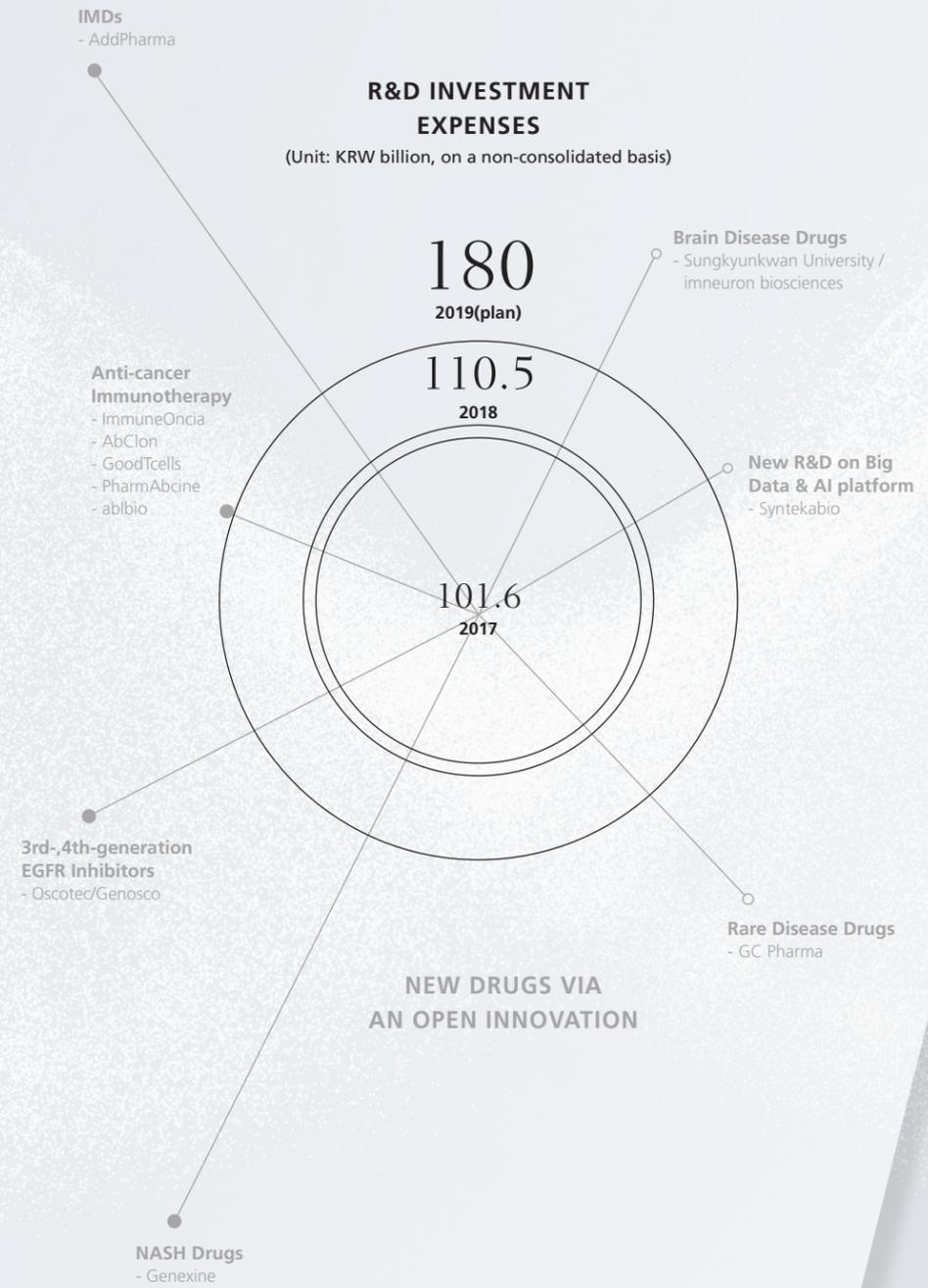
**Jung-Hee Lee**  
CEO & President  
Yuhan Corporation

# +62.9%

Percentage growth rate (plan) in R&D investments from 2018 to 2019

**Great Innovation**

Innovative R&D is the essential drive behind Yuhan's accomplishments and its future growth to become a global pharmaceutical company. Our remarkable record of license-out deals worth KRW 2.4 trillion since 2018 reflects our tireless efforts to become a major player in the global market through persistent R&D investments based on strategic open innovation.

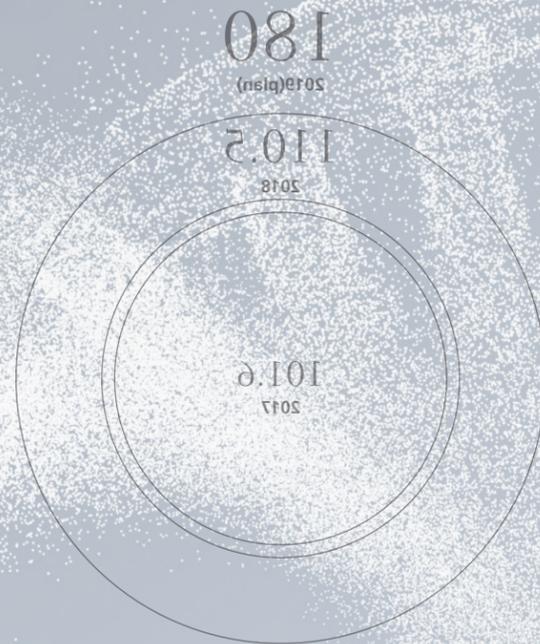


through strategic open innovation

# +62.9%

Percentage growth rate (plan) in R&D investments from 2018 to 2019  
**R&D INVESTMENT EXPENSES**

(Unit: KRW billion, on a non-consolidated basis)



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**Great Innovation**

**IMDs**  
- AddPharma



**Anti-cancer Immunotherapy**  
- ImmuneOncia  
- AbClon  
- GoodTcells  
- PharmAbcine  
- ablbio



**3rd-,4th-generation EGFR Inhibitors**  
- Oscotec/Genosco



**NASH Drugs**  
- Genexine



**Brain Disease Drugs**  
- Sungkyunkwan University / imneuron biosciences



**New R&D on Big Data & AI platform**  
- Syntekabio



**Rare Disease Drugs**  
- GC Pharma

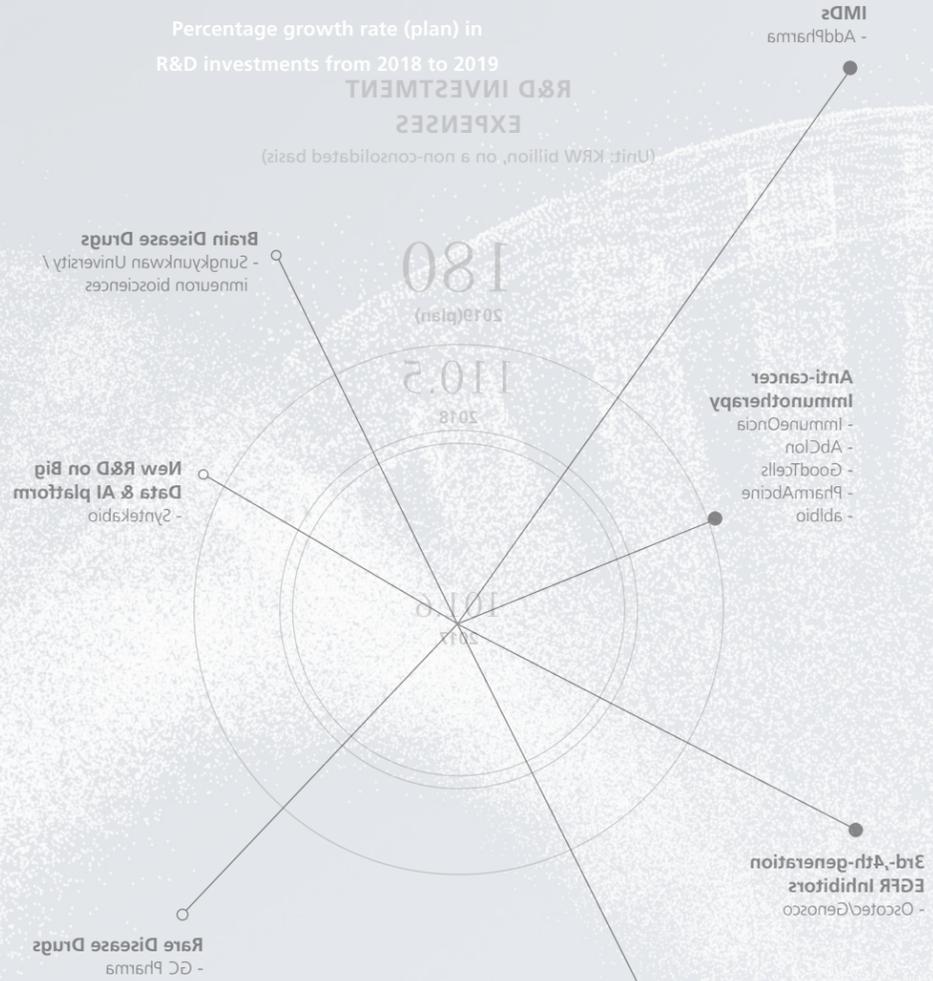


**NEW DRUGS VIA AN OPEN INNOVATION**

through strategic open innovation

# +62.9%

Percentage growth rate (plan) in R&D investments from 2018 to 2019  
(Unit: KRW billion, on a non-consolidated basis)



## AN OPEN INNOVATION NEW DRUGS VIA

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Great Innovation

through strategic open innovation



27

Breakthrough therapeutic pipelines  
- 27 projects

5

IMD pipelines  
- 5 projects

Yuhan Corporation has increased the R&D investments since 2015 with a far-sighted vision of future growth. The results speak for themselves. We licensed out KRW 1.6 trillion worth of technology in 2018, and another agreement worth KRW 900 billion was signed at the beginning of 2019 on licensing and the joint R&D for a new therapeutic candidate treating nonalcoholic steatohepatitis (NASH). Behind these historic accomplishments is our consistent commitment to aggressive R&D investments and pipeline expansion in pursuit of breakthrough therapies. Every year we increase our R&D budget. In 2017 the budget reached KRW 101.6 billion for the first time in our history, and continued growing to KRW 110.5 billion, or 7.33% of sales, in 2018. In 2019, the budget will surpass KRW 180 billion.

As our pipelines continue to expand, today they stand at 27 breakthrough therapies and five IMDs. In pursuit of breakthrough therapies, there are 17 ongoing oncology programs, including immunotherapies and next-generation targeted drugs to fight cancer, such as Lazertinib. There are six R&D projects underway in metabolic diseases, including YH26724 as a treatment for NASH and diabetes. We are channeling R&D resources into the three major therapeutic areas relevant to cancers, metabolic and immune diseases. We also plan on global phase III clinical trials of Lazertinib as a lung cancer treatment, and clinical trials of JNJ372's combination regimes. As for YH2572 as the NASH treatment, we will work hard to license out this and prepare for the investigational new drug application (IND) in the U.S.

Coupled with our commitment to R&D investments, the Open Innovation initiative has played a pivotal role in our significant accomplishments in breakthrough R&D in a very short period of time. As new drug R&D characteristically involves patience and enormous resource investment, Yuhan Corporation has strategically supported its open innovation platform, focusing on the identification of prospective technologies and projects at home and abroad. In fact, a total of KRW 120 billion has been invested into promising bio ventures in Korea and overseas since 2015, resulting in a three-fold growth in our new drug pipelines, from nine projects as of 2015 to 27 projects as of 2019. Ultimately, all these efforts will contribute to expanding a pool of Korean biopharmaceutical ventures, creating a virtuous cycle in the pharmaceutical ecosystem to grow it into the nation's core industry.

Yuhan Corporation will continue expanding its open innovation platform so as to discover more prospective new technologies and projects, while ensuring promising technologies abroad through its subsidiary Yuhan USA. Even as we increase research collaboration and investments, we will cover any shortages in our pipelines and seek crossover synergies to further expand our new drug pipelines. Furthermore, we will continue collaborations alongside global pharmaceuticals companies throughout the early stages of R&D so as to grow into a major R&D-oriented pharmaceuticals company.

### Three Major Conditions

#### Cardiovascular & Metabolic Diseases

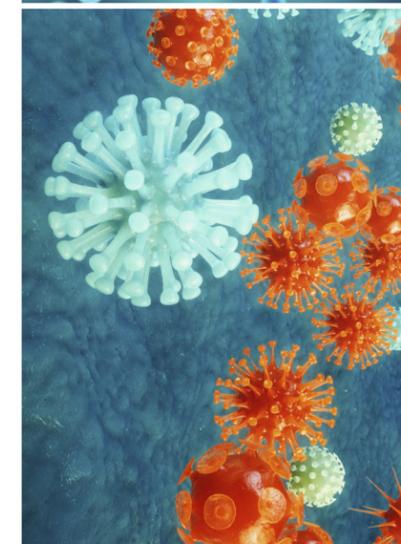
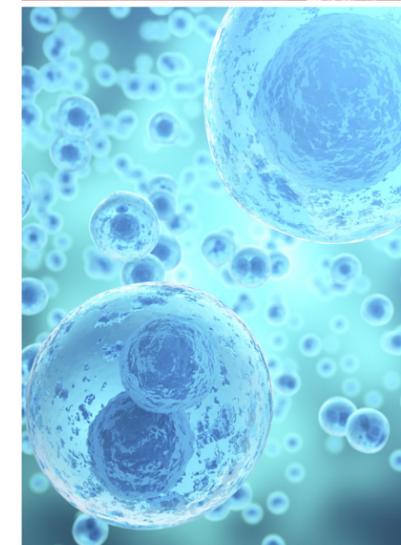
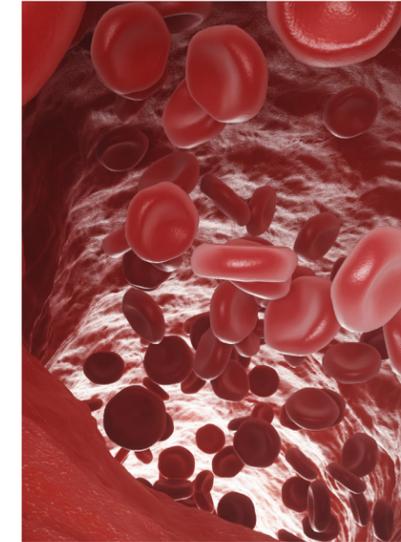
- Duowell A-tablets, Rosuampin tablets, and Rosumet tablets are now on the market. YH22612 and YHD1119 are currently in phase III clinical trial stages.
- R&D for NASH and obesity drugs are underway.

#### Inflammation & Immune Disorders

- The degenerative disc drug YH14618 is currently in phase II clinical trials.

#### Cancers

- The anti-cancer immunotherapy IMC-001 completed a phase I clinical trial, and the lung cancer drug Lazertinib is in phase II clinical trials.



Yuhan Corporation sets its R&D focus on three major diseases: cardiovascular & metabolic diseases, inflammation & immune diseases, and cancers. In the cardiovascular & metabolic diseases field, we have five IMDs for hypertension, hyperlipidemia, diabetes, and diabetic polyneuropathy either in phase III clinical trials or on the market. In addition, R&D is underway for NASH and obesity drugs. While addressing immune diseases, our degenerative disc drug is currently in the phase II clinical trial stage. As for fighting cancers, we have 17 R&D projects in next-generation targeted anti-cancer drugs and immunotherapies, including Lazertinib, which is in the process of a phase II clinical trial.

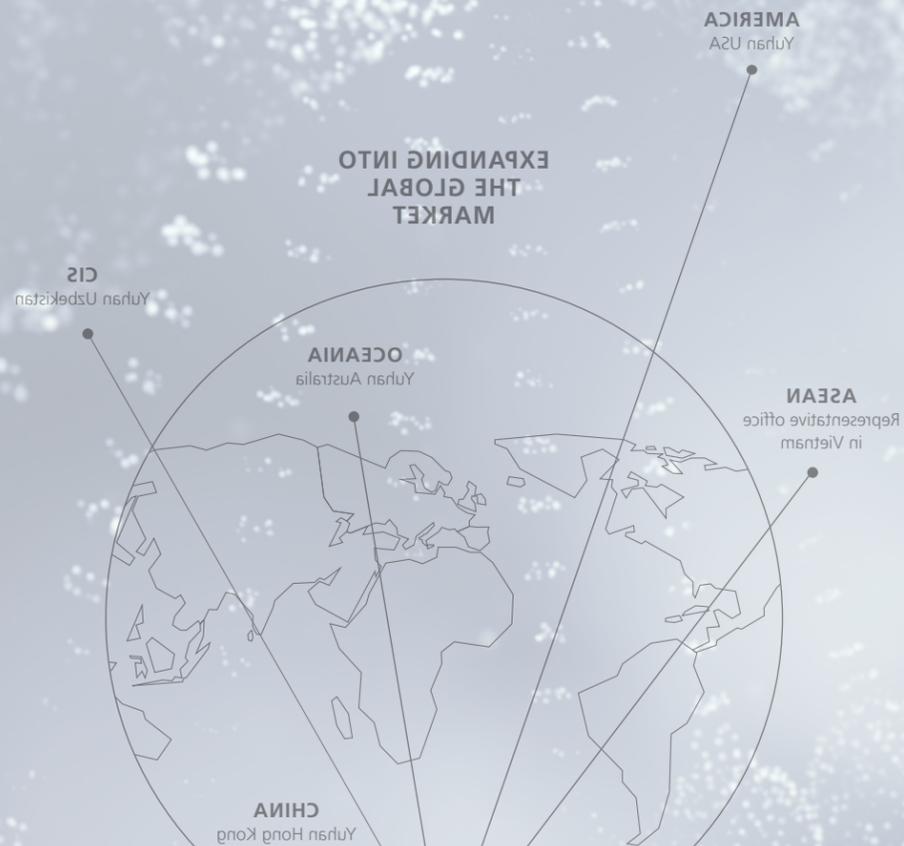
### Global Expansion

Since its foundation in 1926, Yuhan Corporation has remained committed to the promotion of public health. After surpassing the KRW 1 trillion mark in sales in 2014, our sales exceeded KRW 1.5 trillion in 2018. Drawing on our accomplishments, Yuhan Corporation is creating new value. Even as we expand globally by entering new overseas markets, we are advancing into new business areas, specifically in the food & health sector, in pursuit of higher corporate value. As we contribute to the health and happiness of society, we are growing into a leading global entity.



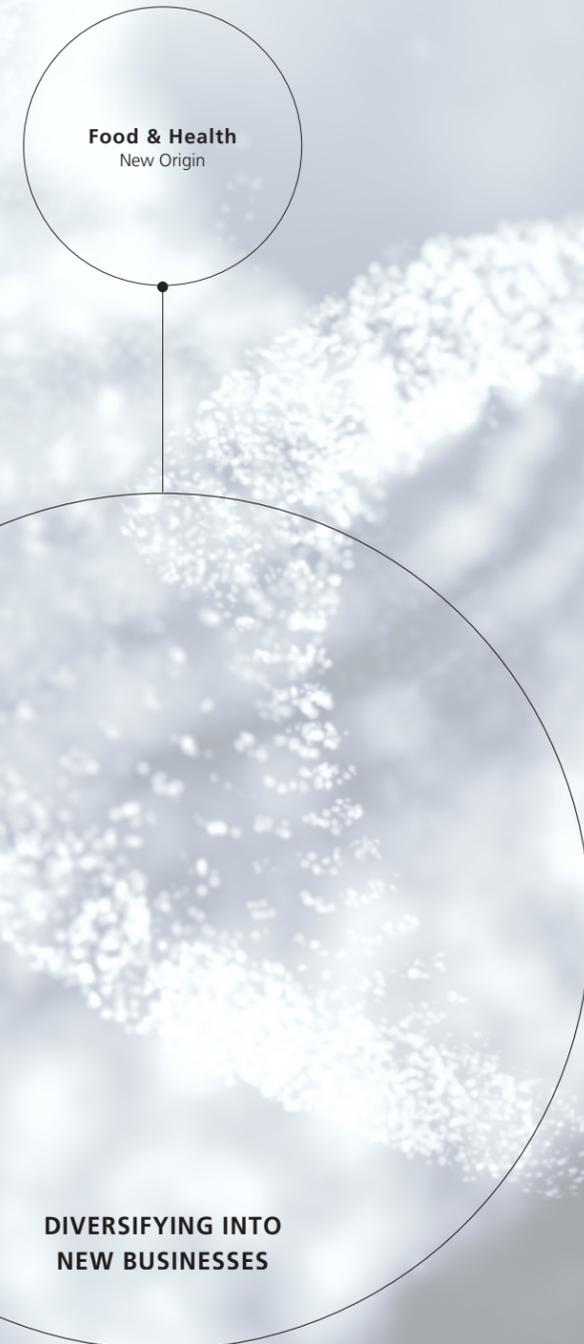
through active business diversification

### Global Expansion



EXPANDING INTO THE GLOBAL MARKET

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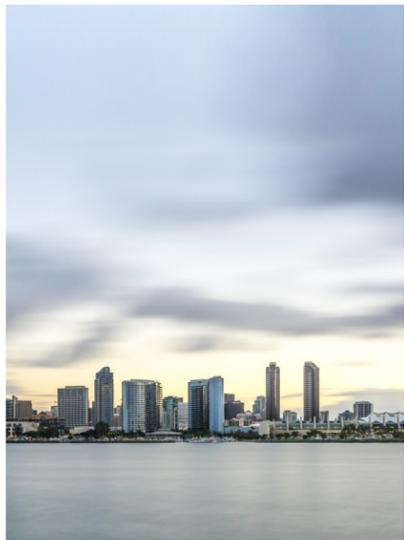


through active business diversification

### Global Expansion



through active business diversification



**Spreading Global Innovation**

Yuhan Corporation is expanding globally. Under the “3 New” strategy—exploring new markets, promoting new businesses, and developing new technologies—we make strategic investments in promising projects. In pursuit of new opportunities in overseas markets and a global network, we set up a representative office in Vietnam in 2017 and a local subsidiary, Yuhan Uzbekistan, in 2018. In January 2018, we established Yuhan USA in order to reinforce our R&D competencies in swift response to the advanced technology and industry trends of North America, the world’s largest pharmaceutical & biomedical market.

Yuhan USA has branch offices in Boston—the center of the world’s pharmaceutical & biomedical industry—and in San Diego, which is a rising bio-cluster on the west coast of the U.S. Yuhan USA is highly expected to contribute its active local network to synergies with Yuhan Corporation’s R&D sector, serving as the intermediary of innovative expansion and reinforcement of the company’s new drug pipelines. Seeking to advance into China, we also established Yuhan Hong Kong in February 2019. Serving as a foothold into the world’s second largest pharmaceutical market, Yuhan Hong Kong is planning a joint venture with China’s Hiking Group Co. Ltd. under a joint management agreement in Qingdao, a Free Trade Zone located in Shandong province. With a global R&D center in the planning stages, the center will further our R&D network in China. Moreover, we plan to open another local subsidiary in Australia to secure new drug pipelines.

Korean pharmaceutical companies, which have traditionally relied very heavily on domestic sales growth over the past decades, have been turning their attention to overseas markets in the last few years. Inspired by licensing out their in-house developed drugs to multinational pharmaceutical conglomerates, they are now expanding into other markets—and Yuhan Corporation is one of those companies. The success of our open innovation strategies, which are used to generate a linear addition of R&D pipelines has uplifted our open innovation to create a multi-dimensional, global R&D network through intercorporate collaborations. While localizing in new markets, we are actively exploring overseas markets to grow our global network seeking more opportunities and potential. As a leading pharmaceutical company in Korea, we will work hard to contribute to broadening the landscape of the Korean pharmaceutical industry into global markets while generating new corporate value.

**3 NEW**

New Markets, New Businesses,  
New Technologies - 3 New Strategies

KRW **200** billion

Strategic investment amount spent on future growth engines for the last 4 years



**Pursuing New Business Opportunities**

There is more consumer interest in living a healthier lifestyle amid growing concerns over numerous environmental issues, such as fine dust and climate change, as well as food safety. In step with this trend, Yuhan Corporation seeks new business opportunities. Making use of our century-old business skills and knowledge in promoting public health and lifestyles through pharmaceuticals, we are advancing into new value creation areas that contribute to healthier lives, including health food and cosmetics.

In 2018, we launched our premium healthy lifestyle brand New Origin. Guided by the business philosophy of “redefining the origins of food,” New Origin aims to go back to basics and restore the principles of food that have been swayed by economic theories of price and efficiency. While scrutinizing the origins of raw materials—and by sticking to the principles in processing them—the company collaborates with experts from around the world in its R&D efforts to restore the innate value of food. New Origin has established the new standard for health supplements, such as red ginseng, vitamins, and probiotics, as well as food ingredients such as deer antler velvets, sugar, salt, and even chocolate that eases cramps. This commitment to healthy and safe food has successfully differentiated itself from other health supplements, earning positive responses from consumers who have been eager for healthier, more reliable food.

New Origin is using its success in the food sector to expand its business into a lifestyle brand. In 2017, the company launched a naked oil bar. Made of original natural ingredient like olive and avocado, this surfactant-free soap is made by cold-pressing before maturing for 672 hours. In May 2018, New Origin also launched its first skincare brand: Deerest. After opening its first store in Yeouido in April 2017, New Origin has expanded its consumer reach points by opening stores in other parts of Seoul and its vicinity, as well as South Gyeongsang province. The New Origin concept stores encompass the extensive experience of its products of beauty and lifestyle brands, as visitors can purchase its health supplement and skincare products. Customers can also indulge in brunch menus, desserts, teas and beverages that New Origin has meticulously selected from natural food ingredients and organic fruits and vegetables. Yuhan Corporation is making full use of the technology and knowledge that we have accumulated over the past century to expand into new business areas of health supplements, beauty & health to develop a sustainable growth system.

**40** products

Launched under  
the New Origin brand name

**9** Concept Stores

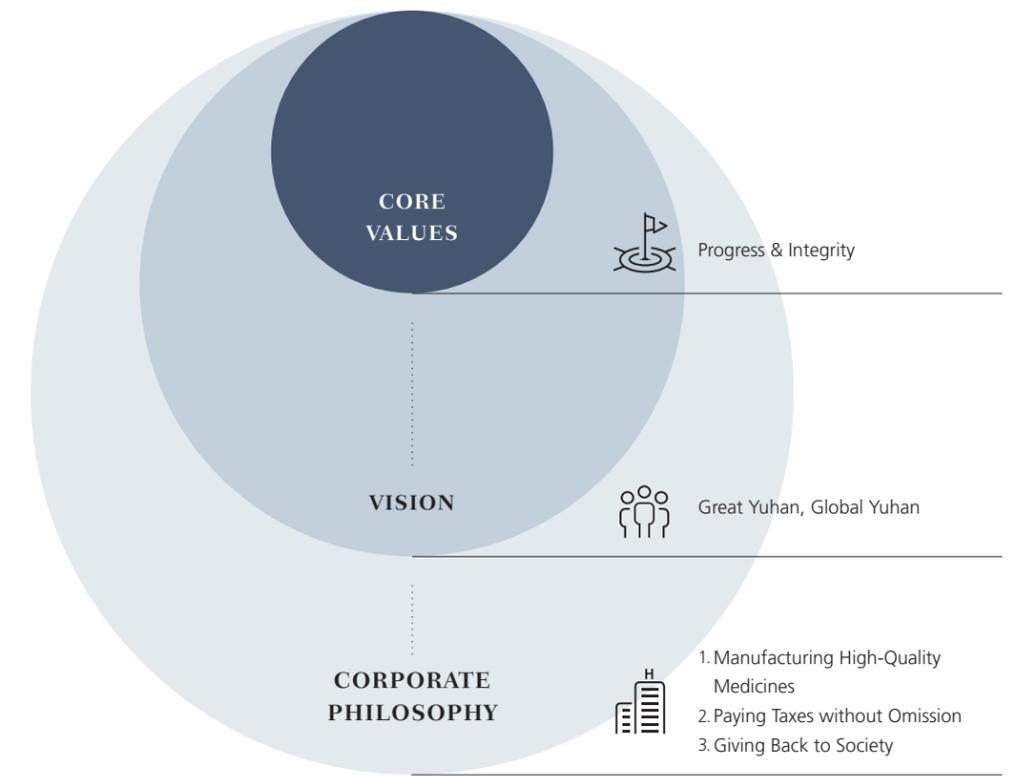
**16** Shop-in-Shops

Expanded consumer contact points  
New Origin network grew out of Seoul and made its way into South Gyeongsang province.

# Boundless Dreams for the Health and Happiness of Everyone

Yuhan Corporation has contributed to the enhancement of public health through the production of high-quality medicines. At the same time, it has advanced into various businesses such as health-related foods, household products, veterinary drugs, and cosmetics in pursuit of higher corporate value and sustainable growth. Unrelenting R&D efforts have played a pivotal role in our commitment to developing innovative medicines as we embrace the global market.

Growing beyond quantitative growth as the nation's leading pharmaceutical company, we are now considered one of the most respected companies in Korea and a major contributor to social initiatives throughout the country. With a sense of duty to improve people's health and carry on an enterprising spirit, Yuhan Corporation is growing into a competitive global entity.



## CORPORATE PHILOSOPHY

### Manufacturing High-Quality Medicines

Back in 1926 when he established Yuhan Corporation, Dr. Ilhan New chose to pursue a pharmaceutical business that could directly contribute to public health in order to address the difficulties Korean people were facing who suffered from the tyranny of colonialism. This was based on his belief that only healthy people can reclaim their lost sovereignty. Since then, contributing to the promotion of the nation's health and happiness through production of quality medicines has remained Yuhan's most vital corporate philosophy.

### Paying Taxes without Omission

Dr. Ilhan New believed that the paying of taxes in full underpins a company's most basic social responsibility and that the accumulation of wealth from business activities must be returned to the country through faithful tax payments. Without a doubt, the faithful payment of taxes helps lay the foundation of a nation's development, and paying taxes on all profits generated from business activities is tantamount to fulfilling a company's national obligation. In short, the faithful payment of taxes can be seen as an expression of patriotism and serves as Yuhan's corporate philosophy.

### Giving Back to Society

Our most imperative corporate philosophy can be summarized as follows: Profits earned by a company's activities must be returned to society. This begins from our founder's belief that a company belongs to the society it serves with its leaders acting as mere stewards entrusted with its care. Yuhan creates jobs and fulfills its social responsibilities by sharing its profits from its corporate activities to bring about better society.



## VISION

### GREAT YUHAN, GLOBAL YUHAN: Progress & Integrity

Yuhan Corporation has been dedicated to public health since its foundation by Dr. Ilhan New in 1926. Taking pride in our commitment over the past nine decades, we are now poised to work harder for a greater future. Our new challenge begins by taking a huge step forward on our way to becoming a truly great company and a relevant global entity. This advancement will be based on our unique core values of progress and integrity. We are determined to be a great company that fulfills its corporate social responsibilities by sharing our corporate value with society, while also ensuring we are a lasting company by preserving our core values and proactively responding to changes in the business environment worldwide. On our way to celebrating our centennial anniversary, Yuhan will stay committed to remaining a global company that contributes to the health and happiness of everyone through the development of breakthrough therapies and new businesses. Our underlying goal is to be "Great Yuhan" and "Global Yuhan," a company that is proud to contribute to the health and happiness of the global community.

# Financial Highlights in 2018

\* Based on separate financial statements  
\* Unit: KRW in billions

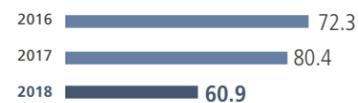
## SALES



## TOTAL ASSETS

1,920.0

## OPERATING INCOME



## TOTAL LIABILITIES

365.8

## NET INCOME



## TOTAL EQUITY

1,554.3

## CONDENSED INCOME STATEMENT

| Unit: KRW in billions | 2016     |              | 2017     |              | 2018     |              | YoY Change |              |
|-----------------------|----------|--------------|----------|--------------|----------|--------------|------------|--------------|
|                       | Separate | Consolidated | Separate | Consolidated | Separate | Consolidated | Separate   | Consolidated |
| Sales                 | 1,312.0  | 1,320.8      | 1,452.0  | 1,462.2      | 1,506.8  | 1,518.8      | 3.8%       | 3.9%         |
| Operating income      | 72.3     | 97.8         | 80.4     | 88.7         | 60.9     | 50.1         | (24.2)%    | (43.5)%      |
| Income before taxes   | 156.7    | 204.9        | 145.7    | 144.9        | 114.8    | 89.4         | (21.2)%    | (38.3)%      |
| Net income            | 122.4    | 161.2        | 110.7    | 109.6        | 81.5     | 58.3         | (26.4)%    | (46.8)%      |

## SALES BY BUSINESS

### PHARMACEUTICALS

| Unit: KRW in millions | 2017      | 2018      | YoY Change |
|-----------------------|-----------|-----------|------------|
| Non-prescribed        | 117,148   | 111,871   | (4.5)%     |
| Prescribed            | 941,048   | 1,017,328 | 8.1%       |
| Sub-total             | 1,058,196 | 1,129,199 | 6.7%       |

### HEALTH CARE & CONSUMER PRODUCTS

| Unit: KRW in millions   | 2017    | 2018    | YoY Change |
|-------------------------|---------|---------|------------|
| Consumer products + AHC | 116,127 | 120,770 | 4.0%       |

### OVERSEAS

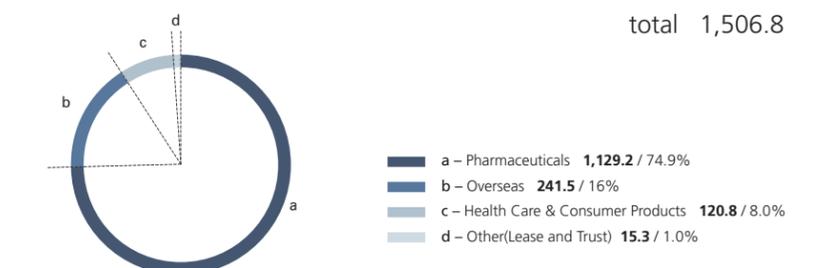
| Unit: KRW in millions | 2017    | 2018    | YoY Change |
|-----------------------|---------|---------|------------|
| Exports               | 260,634 | 236,137 | (9.4)%     |
| Domestic              | 5,006   | 5,358   | 7.0%       |
| Sub-total             | 265,640 | 241,495 | (9.1)%     |

### OTHER

| Unit: KRW in millions | 2017   | 2018   | YoY Change |
|-----------------------|--------|--------|------------|
| Lease and trust       | 12,025 | 15,302 | 27.3%      |

## SALES COMPOSITION BY BUSINESS

(Unit: KRW in billions)



# News Highlights in 2018

02

FEBRUARY

## Korea's First Approval of a Clinical Trial for Anti-cancer Immunotherapy

Yuhan's subsidiary ImmuneOncia won approval for its phase I clinical trials of its anti-cancer immunotherapy (IMC-001) from the Ministry of Food and Drug Safety on February 1, 2018. It was the first approval in Korea of a new PD-1 and PD-L1 immune checkpoint inhibitor. IMC-001 demonstrated excellent efficacy and stability in preclinical trials as a human cancer immunotherapy, with antibodies provided to the PD-L1. Established in September 2016, ImmuneOncia is a joint venture with Sorrento Therapeutics Inc., a U.S. biotech company that specializes in clinical trials. ImmuneOncia is Korea's first anti-cancer immunotherapy R&D company that is a leader in immunotherapy R&D, which is rising as the new paradigm for cancer drugs.

03

MARCH

## Anti-bribery Management Systems Receives ISO 37001 Certification

Yuhan Corporation has acquired the international standard anti-bribery management system (ISO 37001) certification. Established in 2016, the ISO 37001 regulates requirements and provides guidance for establishing, implementing, maintaining, reviewing, and improving an anti-bribery management system. First adopted in Korea in April 2017, and guided by a management policy that incorporates disciplined marketing practices, Yuhan Corporation has put ethical management at the top of its priority initiatives.



MARCH

## CEO Lee Receives the Gold Tower Order of Industrial Service Merit

Yuhan Corporation's CEO Jung-hee Lee received the Gold Tower Order of Industrial Service Merit at the 45th Commerce and Industry Day ceremony. The top honor award is presented to businesspeople who have contributed to the development of industry and the country's economy. CEO Lee has significantly enhanced the corporate value of the company by following in the footsteps of the late founder Dr. New's founding philosophy of corporate social responsibility and through an innovative management style. He was acknowledged for his great contribution to the company's innovation drive through aggressive R&D investments in new drugs and the company's expansion into new businesses.

04

APRIL

## Yuhan-Syntekabio Develops New Drugs Based on an AI Platform

On April 9, 2018, Yuhan Corporation signed an MOU with Syntekabio to collaborate in developing new drugs based on genome big data and an AI platform. The agreement calls for the two partners to collaborate and to conduct joint research in identifying anti-cancer activators on an AI platform, identify biomarkers through analysis of clinical trial patients' genomes, as well as integrate genome analysis technology and an AI platform with new drug R&D. The collaboration will serve to expand the AI application to the entire procedure of clinical trials, from developing candidate therapies to the prediction of metabolic side effects of certain medications.

APRIL

## New Origin Opens Its First Store at Yeouido IFC Mall

Yuhan Corporation opened a New Origin concept store in the basement of the Yeouido IFC Mall on April 16, 2018. New Origin is a premium health food brand name that reflects its commitment to going back to the basics of food by pursuing the origins of food. The 198m concept store offers a variety of New Origin products, including red ginseng, deer antler velvet products, lutein, probiotics, and non-purified salt products. Visitors can also consult with staff on their health food interests, and in one corner of the store is a restaurant that serves dishes made of New Origin products as ingredients.



07

JULY

## Yuhan Invests in A Bio Venture for Joint R&D of Cancer Immunotherapies

Yuhan Corporation is investing KRW 5 billion in a Korean bio venture company called Goodtcells for joint R&D of new cancer immunotherapies. Goodtcells was established in 2016 as a bio venture incubated by Yonsei University for developing new antibody therapeutics and immune cell therapeutics for regulatory T cells that play the critical role in treating the immune disorder observed in patients with cancer, autoimmune disorders, and transplant rejections. The company has also successfully developed the first-in-class therapeutic candidate substance for treating cancer and autoimmune disorders. In addition to the investment, Yuhan Corporation is involved in a joint research project for an anti-cancer therapeutic pipeline that Goodtcells is developing.

08

AUGUST

## Research MOU Signed with the Korea Drug Development Fund (KDDF) for a Lung Cancer Drug

Yuhan Corporation signed an MOU with the KDDF for clinical trials of its non-small cell lung cancer drug Lazertinib. According to the agreement, Yuhan Corporation is entitled to receive government grants from the fund for two years on its clinical trials, production of clinical trial drugs, and non-clinical trials for developing Lazertinib. This agreement speaks volumes about Lazertinib as a breakthrough therapy. Yuhan Corporation named Lazertinib YH25448, and registered it with the World Health Organization in April 2018.

11

NOVEMBER

## Licensing out a Lung Cancer Drug to Janssen Biotech

Yuhan Corporation signed a license and R&D collaboration agreement with Janssen Biotech for Lazertinib on November 5, 2018. Under the terms of the agreement, Yuhan is receiving an upfront payment of USD 50 million and is eligible to receive up to USD 1.25 billion in potential development and commercial milestone payments, along with tiered double-digit royalties on future net sales. In return, Janssen will assume responsibility for the development, manufacturing, and commercialization of Lazertinib, with exclusive worldwide rights to Lazertinib, excluding Korea, where the rights are retained by Yuhan. The two partners will collaborate on global clinical trials, evaluating Lazertinib both in monotherapy and combination regimens starting in 2019.



# Board of Directors



**Jung-Hee Lee**  
President & CEO

**Wook-Je Cho**  
Executive Vice President /  
Head of the Planning and Management Division

**Chong-Hyun Park**  
Executive Vice President /  
Head of the Pharmaceutical Business Division



**Sang-Chul Kim**  
Executive Vice President /  
Head of R&D Division

**Young-Lae Lee**  
Executive Vice President /  
Head of the Manufacturing Division

**Byung-Man Lee**  
Executive Vice President /  
Head of the Over-The-Counter Drugs Business  
Department & Pharmaceutical Business  
Management Department



**Jae-Kyo Kim**  
Executive Vice President /  
Head of the Global Strategy Department

**In-Young Ko**  
Outside Director /  
Professor of Medical Biotechnology,  
Kangwon National University

**Soon-Chul Chung**  
Outside Director /  
Attorney, JKL Law Firm



**Chul Lee**  
Outside Director /  
Chief Medical Officer, Hanaro Medical Foundation

**Jae-Gul Woo**  
Auditor /  
Standing Auditor

**Seok-Beom Yoon**  
Auditor /  
Senior Tax Accountant, Lee & Ko Tax Services

Our BOD-led judicious decision-making procedures constitute the foundation for our efforts toward transparent and accountable management practices that will maintain the trust shareholders have in us.

Yuhan Corporation puts into action BOD-centered accountable management that practices ethical and transparent management to maintain the full trust of its stakeholders, including employees and shareholders, as well as customers and local communities. As of March 2019, Yuhan's BOD consisted of 10 members, including three outside directors appointed at the general shareholders' meeting. It serves as the top decision-making and advisory body in terms of the

company's significant management issues. All the BOD's decisions are made in the interest of shareholders so as to maximize Yuhan's corporate value from an ongoing and long-term perspective. In 2018, the BOD held eight meetings to decide on a total of 31 agenda items.

# Corporate Governance

"A company belongs to the society it serves and its leaders are mere stewards entrusted with its care." This is Yuhan's founder Dr. Ilhan New's business philosophy that provides the foundation for the unique corporate governance of the company. In a country where the economy is largely dominated by family-run conglomerates, Yuhan was the first corporate entity that separated the management from ownership. Its uniqueness comes from the structure of ownership where the largest shareholders consist of non-profit organizations, enabling independent and responsible management practices by the professional business leadership.

## OWNERSHIP STRUCTURE

Yuhan's average number of shares outstanding amounted to 12,445,542 shares at the end of 2018. The Articles of Incorporation stipulates that the company is authorized to issue a total of 15 million shares of par value at KRW 5,000. Of the total outstanding shares, 12,209,354 were registered common shares and 236,188 were non-voting registered preferred shares. The two largest shareholders of Yuhan Corporations are non-profit organizations: the Yuhan Foundation, which holds 15.51 percent of total outstanding shares, and Yuhan School, which holds 7.63 percent in Yuhan Corporation. Yuhan School owns and runs Yuhan Technical High School and Yuhan Unviersity. Other shareholders include institutional and international investors. The Korean Commercial Act stipulates that the notice for convening a general meeting of shareholders may be replaced by electronic notice. However, Yuhan Corporation notifies shareholders of the general meeting through newspapers and by mail to all shareholders' registered addresses so that none of its shareholders is left out of exercising their vested rights as shareholders.

## YUHAN'S UNIQUE CORPORATE GOVERNANCE

Yuhan Corporation's governance is different from those of many other Korean companies. Its largest shareholder is not a family member of the founder nor do they lead the management board. Founder Dr. New donated all of his stocks to the Yuhan Foundation and Yuhan School before passing away in 1971, making the

foundation the largest shareholder, followed by the school. Since then, these two shareholders have committed the dividends from their shares in the company to various social contribution programs. More importantly, the president has been elected through internal competition in line with the founder's business philosophy that a company does not belong to a person but to society. In this context, Yuhan Corporation is more likely a public entity than a privately owned company. This kind of open and transparent governance structure has steered Yuhan clear of wrongful arbitrary decisions by any individual and has fostered a mature corporate culture where the leadership position is entrusted to talented people who have grown alongside the company. Major decisions are made through close consultation between the board of directors and management, allowing for more reasonable and responsible management practices.

## INDEPENDENCE OF THE BOD

Yuhan Corporation's Articles of Incorporation requires at least five or more directors to make up the board of directors (BOD). The stipulation is in accordance with the Commercial Act's requirement to appoint at least three directors (Paragraph 1, Article 383), and meets the minimal number of directors required for the company's business operations. As of April 2019, Yuhan's BOD members stood at 10 directors (seven internal and three outside). The three outside directors account for more than a quarter of the total number of directors in compliance with Paragraph 8-1, Article 542 of the Korean Commercial Act that requires a specific quorum at a BOD meeting. The specific quorum is meant to ensure the independence and autonomy of outside directors against top management and shareholders with controlling interests.

## BOD OPERATIONS

Yuhan's BOD holds regular meetings every quarter and extraordinary meetings whenever needed. The chairman of the BOD convenes meetings by notifying each and every director at least seven days prior to the date of the meeting. The notification requirements may be waived upon the unanimous consent of all BOD members. The company provides telecommunications means to directors who cannot be present at a BOD meeting. In addition, the company documents the minutes of all BOD meetings, recording the subject agenda, proceedings, resolutions, and objections. All the records are signed by the directors in attendance. In 2018, a total of eight BOD meetings, including four regular and four extraordinary meetings, were held, with a 98.6 percent attendance rate.

## WORKING COMMITTEES

Yuhan is not obliged to establish subcommittees within the BOD under the current law. Still, the company has several working committees consisting of its internal directors and top management board for the following purposes:

### Steering Committee

Consisting of members appointed by the president from among directors and executives, the Steering Committee promotes the exchange of management information among members and advises the president in making management decisions, while also preparing an agenda for BOD meetings.

### New Product Marketing Strategy Committee

The New Product Marketing Strategy Committee was formed for the systemic and efficient marketing of new products in order to reinforce the company's product competitiveness. Chaired by the president, the committee is comprised of the head directors of the Pharmaceutical Business Division, Planning and Management Division, and Manufacturing Division.

### R&D Committee

This committee reviews R&D strategies. Chaired by the president, the committee members consist of the head directors of the Planning and Management Division, Pharmaceutical Business Division, and the R&D Division.

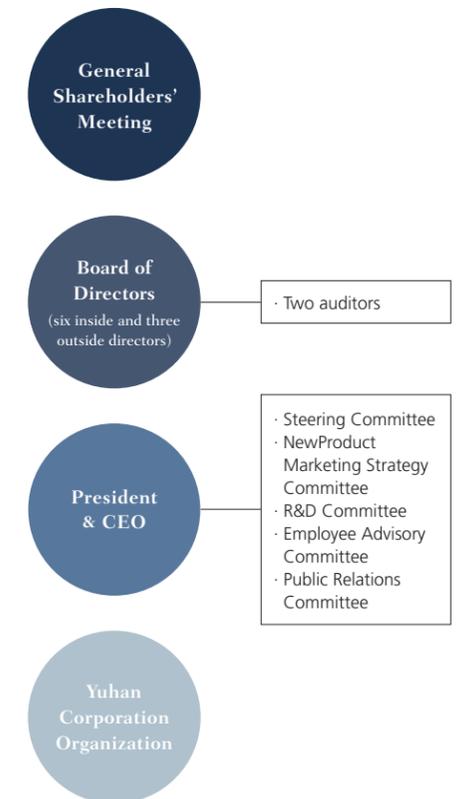
### Employee Advisory Committee

The Employee Advisory Committee promotes effective bottom-up communication and supports the building of a mechanism required for such communication. Employees can suggest creative ideas and opinions about management practices that can reach top management—as well as the president—at this committee. Its members are selected from among junior-ranking employees throughout all sectors of the company.

### Public Relations Committee

This committee sets the plans and directions for efficient corporate public relations and advertisements. Chaired by the president, members include the chief officers in charge of the Pharmaceutical Business Division and the Pharmaceutical Business Management Department, as well as the research team manager.

## CORPORATE GOVERNANCE STRUCTURE



## PERFORMANCE EVALUATION & COMPENSATION

Yuhan Corporation does not evaluate the performance of outside directors at the moment, but the company vigorously follows the procedures as stipulated in the Korean Commercial Act when it selects new outside directors. To ensure fair and transparent procedures when selecting and appointing outside directors, we scrutinize the qualifications of outside director candidates, not merely by satisfying what is required under the Act, but by applying our own criteria of expertise, a sense of fairness, job ethics and integrity before recommending them to shareholders for appointment. Remuneration to directors is determined by resolutions at the general shareholders' meeting, and retirement benefits are paid following regulations concerning the retirement benefits of executives as resolved at the general shareholders meeting. Compensations to directors are carried out objectively in reflection of the company's financial performance results, such as sales, growth rates and operating profit growth rates.

# Ethical Management

Virtuous management is our core principle dictating ethical management practices at Yuhan Corporation. Our systematic compliance program constitutes the framework for transparent management activities. More recently, we obtained the ISO 37001 Anti-bribery Management Systems Certification, a clear indicator of our commitment to compliance.

## COMPLIANCE MANAGEMENT

### Compliance Program

To create new corporate value pursuant to the founder's philosophy, Yuhan Corporation adopted a Compliance Program (CP) in 2007, and has established an exemplary compliance management system since then. Everyone at Yuhan Corporation performs their duties in a fair and transparent manner following the CP and in full compliance with the Fair Transaction Act. The adoption of the CP has set the framework for systematic legal compliance, which in turn laid the foundation for transparent and legitimate management practices, while steering clear of violations of the fair transaction rules.

### Compliance Program Framework

Yuhan Corporation has adopted a new enterprise resource planning (ERP) system, completing a more efficient and integrated management of its company-wide resources at any stage, from production and logistics to finance, accounting and marketing, procurement and inventory controls. As a result, the enhanced transparency in accounting management has allowed us to systematically manage CP operations under the revised stipulations of the Medical Devices Act, which imposes more stringent obligations on manufacturers with regard to mandatory expenditure reports on economic benefits and other offerings.

### Compliance Program Education

Yuhan Corporation provides its employees with CP education in order to instill the corporate values of integrity and honesty to foster a culture of compliance and an enterprising spirit. The video conference system at all our worksites facilities education anytime, from anywhere, on the latest changes in the compliance program, and allows for prompt responses to such changes. In addition,

offline sessions customized to the individual needs of each division are provided to new employees and employees working at the headquarters, plants, research institutes and branch offices. Professional instructors from outside the company are also invited frequently to give more in-depth CP education.

### Anti-bribery Management Systems (ISO 37001)

Developed by the International Organization for Standardization (ISO) through consensus among the international community, the Anti-bribery Management Systems (ISO 37001) certification specifies requirements and provides guidance for establishing, implementing, maintaining, reviewing and improving an anti-bribery management system. It is designed to be applicable in any given organization.

### Anti-bribery Management Systems Certification

Yuhan Corporation obtained the ISO 37001 certification in March 2018. The certification verifies our commitment to expanding a compliance culture by eradicating bribery practices and to further our corporate competitiveness for sustainable management. The process of the certification not only helped us identify potential corruption risks and come up with solutions, but also helped promote the interest in and efforts towards a CP from what had been concentrated in a handful of related departments to company-wide concern. Furthermore, we have established a system for reporting any corrupt practices, such as solicitation or bribery by insiders at Yuhan Corporation or employees of its affiliates. As a result, Yuhan Corporation was able to significantly lower the level of legal risks concerning corruption or bribery, thereby improving the company's reliability.

### Sustainability of Anti-bribery Management Systems

Following the certification, Yuhan Corporation has reexamined its anti-bribery management systems from scratch with the help of external experts. Based on the findings, we revised the bylaws concerning anti-bribery management systems and reclassified corruption risks, preparing additional means of controlling such risks. These efforts helped us further upgrade our anti-bribery management systems. In addition, we had an external agency review the system in March 2019 in a bid to ensure the effectiveness and sustainability of the certification.

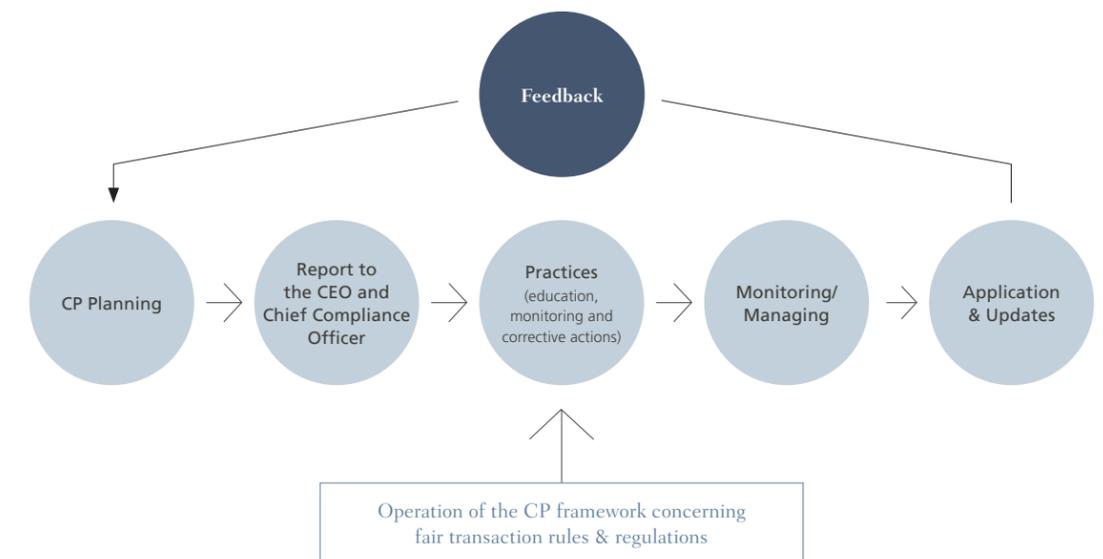
### Spreading a Culture of Anti-bribery

Yuhan Corporation has carried out a number of initiatives to spread anti-bribery practices. We have an established procedure that helps reporting any unwanted reception of presents or gifts from outside stakeholders. The transparent personnel management practices are protected by the written pledges that recruiters and interviewers are signing and submitting before the procedures. For anonymity in reporting, the corporate website has a separate webpage for reporting corruptive practices. Procedures have been renewed for contracting with suppliers so that the contracts now include anti-bribery terms and conditions. Moreover, anti-bribery management systems are now included in the subjects required for the corporate tests for promotion. While distributing the CP guidebooks, the 2019 corporate diaries also have our anti-bribery policy inserted. Plus, we keep distributing posters concerning the Anti-bribery Act on all our worksites. As such, we applied a number of actions and improvements to weave anti-bribery into the daily behavior and corporate culture of our employees.

### Anti-bribery Management Systems Operation Plans

Yuhan Corporation continues developing its anti-bribery management systems operations in coping with the stricter requirements of business ethics and compliance practices worldwide. We will upgrade our anti-bribery management systems by revising our related regulations to promptly reflect the tighter changes in the requirements for business ethics and legal compliances. In coping with the changing corruption risk factors in each business sector, we will keep identifying additional risk factors to come up with preemptive controlling measures to keep minimizing such risks. At the same time, we are offering employees with differentiated and systematic education according to their business division, department and job requirements so as to establish anti-bribery practices within the corporate culture.

## CP PROCESS



# 1

## STRATEGIC PROGRESS

### Our Business Performance

- 36 Pharmaceutical Business
- 40 Overseas Business
- 44 Healthcare & Consumer Products Business
- 49 Yuhan Product Portfolio
- 54 Research & Development
- 62 Production

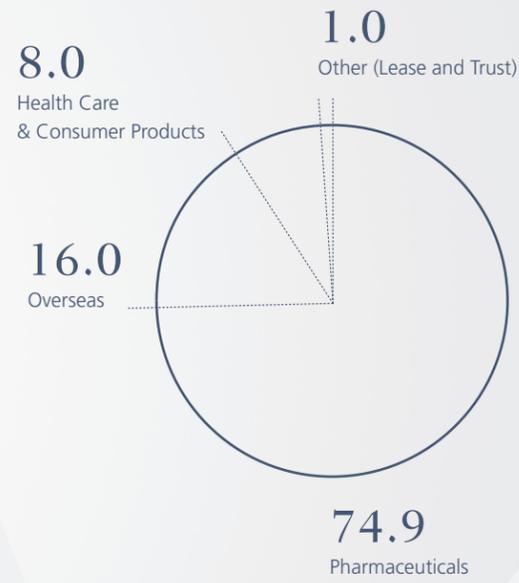
In 2018, Yuhan Corporation became the first Korean pharmaceutical company to cross the KRW 1.5 trillion sales mark. Its sales stood at KRW 1,506.8 billion—making it the industry’s largest sales record for six straight years. On top of that, its license-out value totaled KRW 1.5 trillion for the last two years. This can be credited to the company’s consistent commitment to R&D investments and open innovation for the past several years, proving its technology and R&D-oriented pharmaceuticals company. Coupled with new drug pipelines, this contributed to the high performance of Yuhan Corporation.



# 1

## STRATEGIC Our Business Performance

SALES COMPOSITION  
BY BUSINESS  
(Unit: %)



- 36 Pharmaceutical Business
- 40 Overseas Business
- 44 Healthcare & Consumer Products Business
- 49 Yuhan Product Portfolio
- 54 Research & Development
- 62 Production

In 2018, Yuhan Corporation became the first Korean pharmaceutical company to cross the KRW 1.5 trillion sales mark. Its sales stood at KRW 1,506.8 billion—making it the industry’s largest sales record for six straight years. On top of that, its license-out value totaled KRW 2.5 trillion for the last two years. This can be credited to the company’s consistent commitment to R&D investments and open innovation over the past several years, proving its technology and competency as an R&D-oriented pharmaceuticals company. Coupled with the increased new drug pipelines, this contributed to the higher corporate value of Yuhan Corporation.



Business 1  
**Pharmaceutical Business**

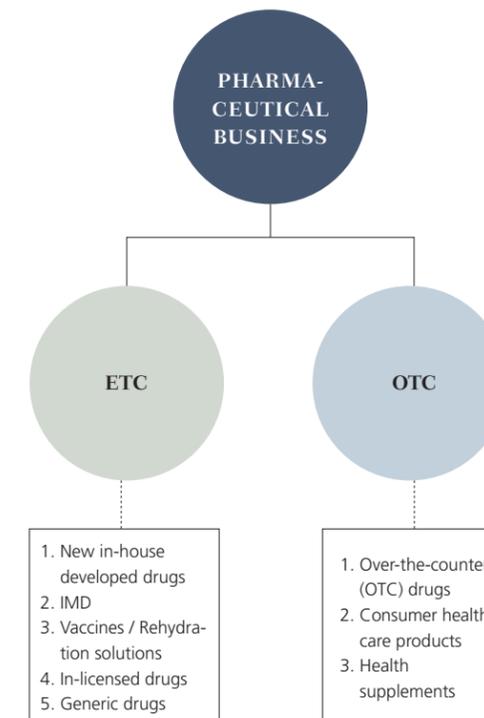


The pharmaceutical business is the foundation of Yuhan Corporation's business operations, which is a proven leader in the industry.

**+6.7%** Year-on-year growth  
 SALES

The pharmaceutical business had sales of KRW 1,129.2 billion in 2018, driving the company's record-breaking accomplishment of exceeding KRW 1.5 trillion in annual sales. The division manufactures and sells over-the-counter (OTC) drugs, consumer healthcare products and health supplements, as well as ethical (ETC) drugs, such as antihypertensive drugs, anticancer drugs and antibiotics. Led by top medicines that include Viread and Trajenta, both of which sell more than KRW 100 billion annually, a total of 23 products like Twynsta and Atorva are top sellers, with sales exceeding KRW 10 billion, solidifying their market dominance.

**BUSINESS AREAS**



**2018 MARKET ANALYSIS**

The pharmaceutical industry faced a number of challenges in 2018, with several regulatory and market changes. The revised Medical Devices Act took effect as of January 1, imposing more stringent obligations on medical suppliers and manufacturers to report their expenditures for economic benefits and offerings to anyone in medical circles. New labor standards also took effect, reducing working hours that regulated 52 hours a week. Additionally, the safety control over medical supplies grew tighter concerning active pharmaceutical ingredients (APIs). In the over-the-counter (OTC) market, the offline wholesale market went online, growing the small and mid-sized online markets and e-commerce volume of pharmaceutical companies, which then rapidly diversified distribution channels.

Competition has become fiercer than ever. Consumers are wiser than in the past, as they have numerous channels to acquire knowledge about medicines; they tend to name particular brands that they are familiar with when they purchase OTC drugs. Consequently, pharmaceutical companies are diversifying advertisements via various media outlets to brand their products for consumers. Against this backdrop, Yuhan Corporation increased its education on different subjects related to sales and marketing to reinforce the expertise of its sales force. The company focused on its internal competencies, such as obtaining the ISO 37001, which speaks volumes of its business ethics practices, while bolstering its CP practices in response to regulatory policies. At the same time, the company's product portfolio was reinforced to enhance its product competitiveness while diversifying marketing activities in response to a changing market environment.

2018 IN REVIEW

Yuhan Corporation focused on key strategic items and fostered prospective new products in 2018. As a result, it was able to achieve significant sales growth. The ETC sales department posted KRW 1,017.3 billion in sales, up KRW 76.3 billion, or 8.1 percent, year-on-year growth from 2017. By product, key strategic products drove this sales growth, specifically Atorva, Duowell, Rosuvamibe, and Monoroba among our own products, and Viread, Vemlidy®, Trajenta group and the Jardiance group among in-licensed products. Even amid high competition with the massive rollout of generics and competitive products, the anti-virus products group achieved high sales growth with Viread (hepatitis B treatment) selling KRW 149.4 billion, HCV (hepatitis C treatment) selling KRW 54.5 billion, and HIV (human immunodeficiency virus) selling KRW 56.1 billion.

Rosuvamibe (hyperlipidemia treatment) outperformed all others by far, selling KRW 37.0 billion, followed by Duowell (compound treatment for hypertension and hyperlipidemia), which sold KRW 18.5 billion. These two products led the sales growth and profits in multifunctional compounds for treating cardiovascular diseases. In the diabetes treatment market, where the company sustains growth led by the DPP-4 restrainer market expansion, Trajenta/Duo (KRW 117.8 billion) and Jardiance (KRW 25.8 billion) achieved robust growth in sales, respectively. New products launched in 2018 include Rosumet—a compound treatment for diabetes/hyperlipidemia—and Rosuampin—Korea’s first amlodipine-rosuvastatin compound for treating hypertension and hyperlipidemia.

Despite intensifying market competition, Yuhan’s OTC sales department recorded KRW 111.9 billion in sales. Its strategic marketing focused on KRW 10 billion megabrands like Antiphramine (KRW 17.9 billion), Megatruie (KRW 11.2 billion), and Beecom-C (KRW 9.6 billion), all of which drove the strong sales performance results. Others, like Mag-B, Elena and Happy Home, also laid the foundation to emerge as megabrands.



The pharmaceutical business is the company's backbone business, accounting for more than 70 percent of the company's overall sales and its growth.

BEST-SELLING PRODUCTS IN 2018

**Jardiance**  
91.1% year-on-year growth



NEW PRODUCTS IN 2018

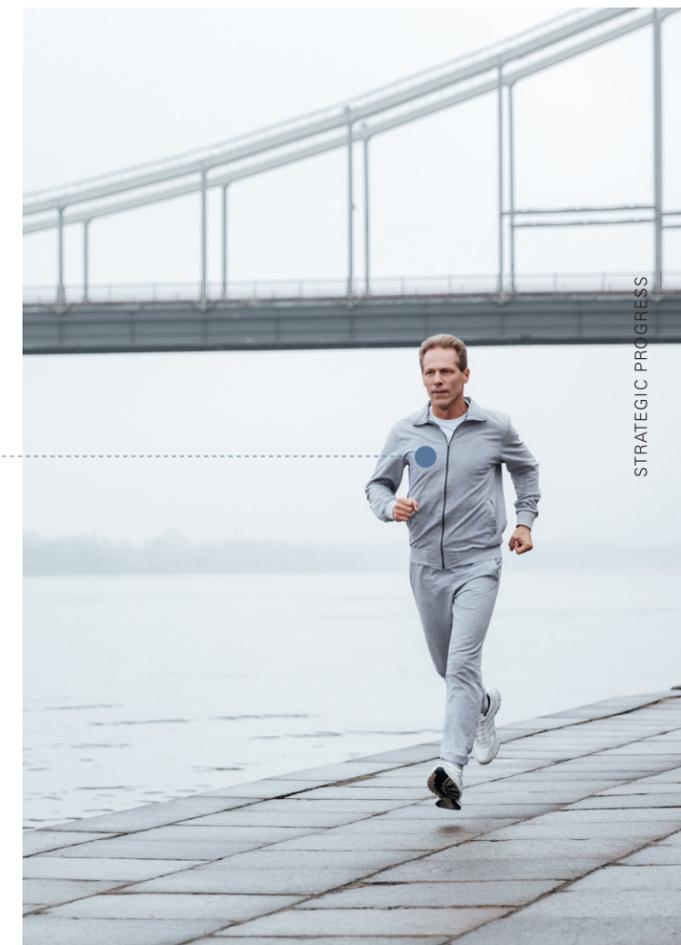
- Rosuampin**  
a medicine for treating hypertension / hyperlipidemia
- Megatruie Power**  
a vitamin-B reinforcement of the existing Megatruie

2019 OUTLOOK

In 2019, the pharmaceutical business landscape is forecast to go through major reforms with regulatory changes. First of all, the revised medical supplies licensure system includes cutting down on generic drug items, and stricter safety and quality controls policies are scheduled to take effect within the year. More importantly, a reformed drug pricing system is about to be put in place that pegs drug prices to the quality of generics. The estimated regulation on joint bioequivalence studies are predicted to bring about a major revamp in the generic drug market, accompanied by changes with product portfolio strategies. Consequently, competition is projected to further intensify among Korean pharmaceuticals to launch new compounds. As such, the ETC sales department will strengthen its field-oriented marketing campaigns, while focusing on its product-oriented portfolio revamp and continuing with the stable growth of mega brands and tight inventory control to achieve higher operating profits.

In terms of key strategic products, marketing resources will be channeled into growing megabrands like Rosvamibe and Duowell and new products like Rosuampin and Pregabaline tablets to market dominant products. At the same time, the department will strive to increase the market share of Trajenta and Jardiance in outpatient prescription sales and concentrate its resources into fostering Vemlidy® as the top treatment for chronic hepatitis B and Havoni and Sovaldi for chronic hepatitis C.

The OTC sales department will swiftly adapt to rapidly changing marketing trends, as characterized by an increase in digital marketing, reinforced pre-marketing, bipolarization among items, and diversifying distribution channels. In response, the department plans to increase marketing campaigns with consumers as well as online marketing, while fostering strategic products like Antiphramine and Elena into megabrands while continuously launching new products to secure new growth drivers.



STRATEGIC PROGRESS



2018 KEY ACHIEVEMENTS

**KRW 1,129.2 billion**

Sales exceeding KRW 1 trillion by a single business division

**KRW 149.4 billion**

Viread's sales record: an ultra-blockbuster drug

**23 medicines**

The number of drugs selling more than KRW 10 billion each

Business 2

# Overseas Business



Yuhan Corporation uses its years of overseas business skills to promote global expansion, such as the production of pharmaceutical products and exports as well as future growth drivers.

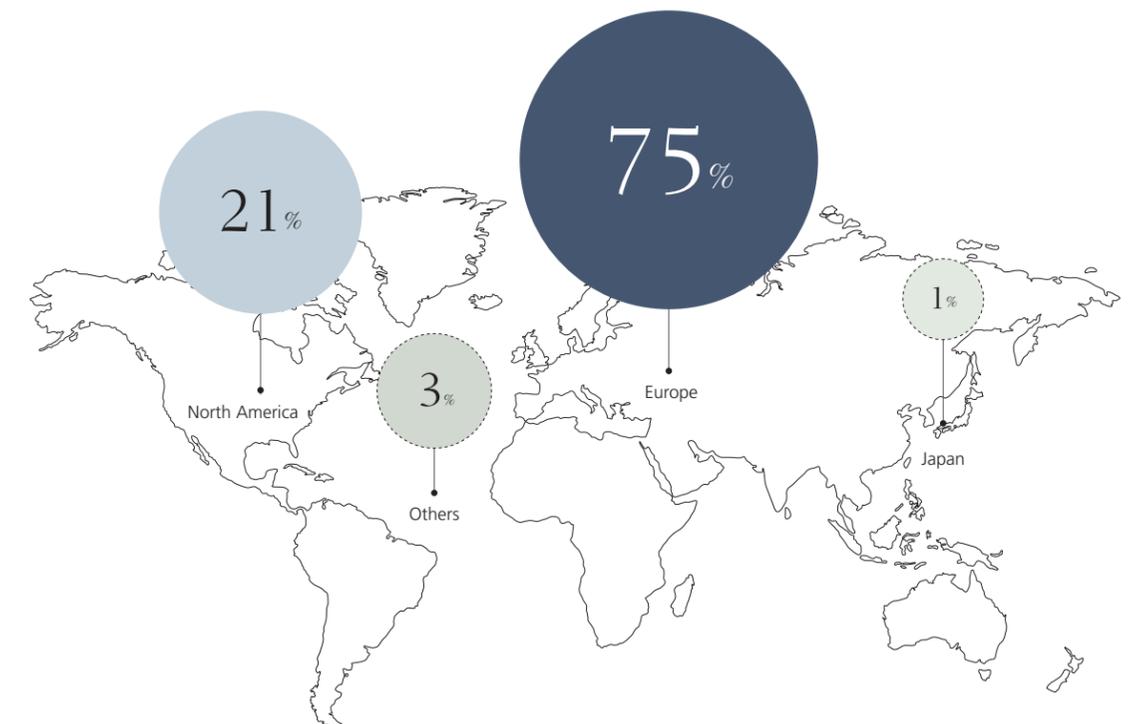
# 2,415

SALES  
(KRW 100 million)

\* Overseas Business sales were down 9.1 percent from 2017 to KRW 241.5 billion due to the slowing growth in the global market of hepatitis C treatments.

Yuhan Corporation supplies leading global partners with active pharmaceutical ingredients (APIs) for AIDS treatments, hepatitis C treatments, arthritis treatments, and antibiotics that are produced at Yuhan Chemicals that meet the highest global standards. The company also exports a number of high quality Drug Products (DP) manufactured at its Ochang Plant to 16 countries around the world. In addition, Yuhan-Uzbekistan, a sales subsidiary in Uzbekistan, and a representative office in Vietnam make every effort to become a leading global pharmaceutical company.

## EXPORTS BY REGION IN 2018





2018 KEY ACHIEVEMENTS

**KRW 241.5 billion**

Overseas sales account for 16 percent of the company's overall sales

**16 countries**

No. of countries Yuhan exported its products in 2018

**5 times**

Our new CDMO client base increased fivefold and the number of developed items tripled

2018 MARKET ANALYSIS

In 2018, multinational pharmaceutical conglomerates kept cutting costs while new drug R&D competition intensified among small- and medium-sized pharmaceutical companies. This trend gained momentum by the rising demand for R&D competencies in CMO practices, increasing market demand for contract development manufacturing organizations (CDMO) in the industry.

The Chinese government's environmental regulations added to this trend, underscoring the importance of supply chain management (SCM). Furthermore, the external factors, such as improving technological competitiveness of peer companies, also added up to the fierce competition in the CMO and CDMO market. On the other hand, the DP market is difficult to enter due to the underpricing policies by Indian and Chinese suppliers and national protectionism policies of major markets in Southeast Asian countries.

2018 IN REVIEW

Despite the challenging market environment, Yuhan Corporation continued efforts to enhance its quality control to further its competitiveness while building on its trust-based partnerships with its international clients through competencies that meet global standards, such as cGMP (Current Good Manufacturing Practices), SH&E (Safety, Health & Environment), and a containment system.

ENTRY INTO CIS MARKETS

The setup of the Uzbekistan sales subsidiary paved the way for entering CIS markets, where we export 17 pharmaceuticals for treating eight diseases.



USFDA cGMP INSPECTION

We have successfully passed the USFDA's cGMP inspection on Yuhan Chemicals' Hwaseong plant.

At the same time, the company has continued bringing in new clients to diversify its client base while ensuring drivers for sustainable growth. In 2018, Yuhan Chemicals' Hwaseong plant successfully passed the U.S. FDA's cGMP inspection without an observation, proving its globally competitive quality control and production capabilities. Additionally, the company added R&D services to CMO operations, expanding its business model to become a CDMO service provider that will broaden its client base and projects. Yuhan Chemicals' Hwaseong plant recently completed a new pilot facility equipped with a containment system, keeping its facility investments fully up to date.

2019 OUTLOOK

In tandem with the predicted growth in the market demand for the API's CMO/CDMO, competition will equally heat up under growing protectionism and conservative supply management. In response, Yuhan Corporation will take a long-term approach in its strategies for export project development while reinforcing collaboration with overseas partners in new APIs and DPs in pursuit of overseas markets. Furthermore, we will diversify export items and overseas transactions while efficiently operating our sales subsidiary in Uzbekistan and representative office in Vietnam to diversify our sales portfolio and enhance profitability.



**New Facility Investment**  
Yuhan Chemicals' Hwaseong plant has completed a new pilot facility, which is equipped with a containment system.



Business 3

# Healthcare & Consumer Products Business

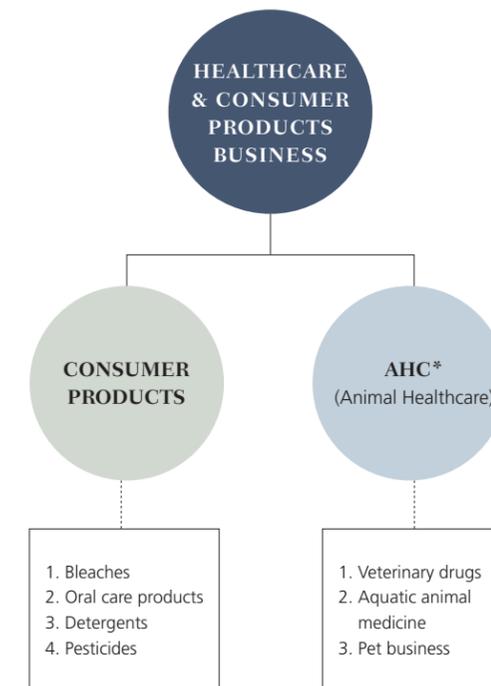


Yuhan Corporation sells consumer products that help promote public health as well as animal health care (AHC) products that focus on medical supplies for livestock and aquatic animals as well as the pet business.

**+4.0%** Year-on-year Growth  
SALES

Yuhan Corporation is proud to contribute to the health and living conditions of consumers through its consumer product business and animal healthcare (AHC) business. Our signature brands in this sector include the chloride bleach Yuhanrox, the baking soda-based Arm & Hammer brand, and the pesticide brand Happy Home. In 2018, Happy Home achieved a remarkable 32 percent growth over the past year in market share, while the bleach Yuhan Gen grew by 19 percent over the same period. At the same time, the market share of our flagship product, Yuhanrox, continued expanding. The AHC business also achieved a 13.1 percent year-on-year growth in sales due to its strategic product portfolio management that balances between industrial livestock and pets, as well as aquatic animals. In particular, the natural ingredient pet dental chews Whimzees achieved a 497.7 percent year-on-year growth in sales, far surpassing the year's sales goal.

BUSINESS AREAS



\* As of April 2018, AHC Sales Group came under control of the Special Purpose Business Department, which is part of the Pharmaceutical Business Division. This report was prepared in 2018, prior to the organizational restructure.

2018 MARKET ANALYSIS

Last year, the consumer product market was dampened by prolonged sagging consumer sentiment. The retail market also went through changes as the continued growth through online channels moved offline retailers to alter their business models. Moreover, it has become the norm in the industry to converge retail businesses with high technologies of the Fourth Industrial Revolution, such as IoT, AI, big data and robots. Consumption patterns have gone through abrupt changes, with pending issues of addressing climate change and an aging society, as well as the growing number of single households, while the millennial generation is emerging as a more influential consumer group in the market. Soaring oil prices have also increased expenses for key raw materials, coupled with a higher minimum wage level in Korea, further raising manufacturing costs and consumer prices.

Despite this challenging market environment, Yuhan's Consumer Product Business continued expanding its market share of major products and achieved sound growth in sales. The AHC business experienced mixed market conditions in 2018. Although the market was not in its favor due to rising ingredient prices for vitamins and antibiotics and the deferred launch of new aquatic vaccines, this year did not see an annual outbreak of avian influenza and foot-and-mouth diseases, which worked in favor of livestock product sales performance. The pet business, which is experiencing great expansion, enjoyed further consumer need for growth in premium products.



Yuhan Corporation's consumer products encapsulate our R&D commitment to caring about the health of people and the environment.

**TOP-SELLING PRODUCTS IN 2018**

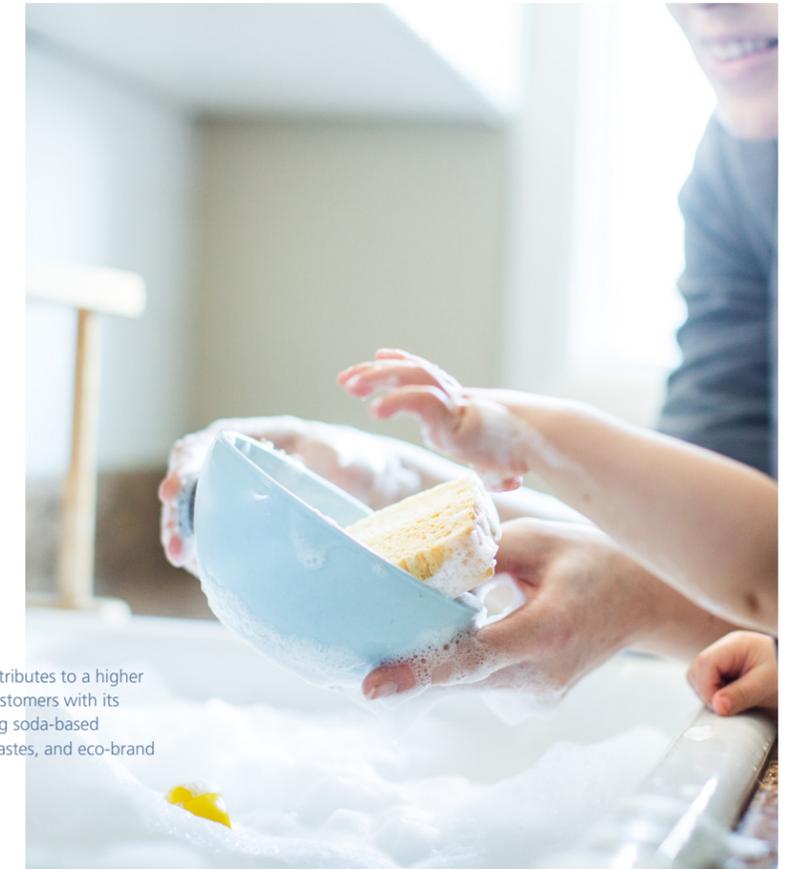
**Happy Home**  
 KRW 14.3 billion in sales, becoming a KRW 10 billion brand in only three years on the market

**2018 IN REVIEW**

Despite the continued stagnant consumer market, the Consumer Product business employed differentiated marketing strategies catering to customer needs. As a result, the sector was able to sustain a dominant share of the toothbrush and toothpaste markets, while also maintaining its market-leading share of bleaches with Yuhanrox. More specifically, Happy Home, which has been on the market only three years now, made a significant contribution to the year's sales growth. Its market share grew by 18.8 percent, with a year-on-year sales growth of 32 percent, reaching KRW 14.3 billion. Another product that has been on the market for three years is the premium oxygen-based bleach Yuhan Gen, which achieved a 19 percent year-on-year growth in sales, positioning itself as the No. 1 market share brand through numerous distribution channels. By constantly expanding the market share of our signature product Yuhanrox, the department enjoyed a 4.0 percent growth from the previous year in market share. In 2018, the healthcare product business recorded KRW 120.8 billion in sales.

**NEW PRODUCTS IN 2018**

**Happy Home Medicure**  
 Happy Home's sub-brand specializes in healthcare products such as band-aids and poultices, as well as its existing pesticides line



Yuhan Corporation contributes to a higher quality of life for our customers with its bleach Yuhanrox, baking soda-based Arm & Hammer toothpastes, and eco-brand Beautiful Detergent.

**2018 KEY ACHIEVEMENTS**

**KRW 120.8 billion**  
 4.0% year-on-year sales growth in the Healthcare & Consumer Products Business

**KRW 14.3 billion**  
 KRW 14.3 billion in sales in only three years on the market

**497.7%**  
 An explosive 497.7% sales growth of Wheemzis, a natural ingredient dental chew for pet dogs

**2019 OUTLOOK**

In 2019, both consumption and investments are predicted to drop, bringing down domestic consumption, while more uncertainties are forecast to abound in the global financial sector. Coupled with stricter regulations on the retail sector, rising concerns over environmental issues are going to further the growing market demand for eco-friendly products. In response, Yuhan's consumer product sales department will continue introducing new market-oriented products as it diversifies marketing channels under the strategies of focusing on sales growth by differentiating product line-ups by distribution channels. Efforts will continue to enhance productivity, too. Happy Home will lay the foundation for becoming a



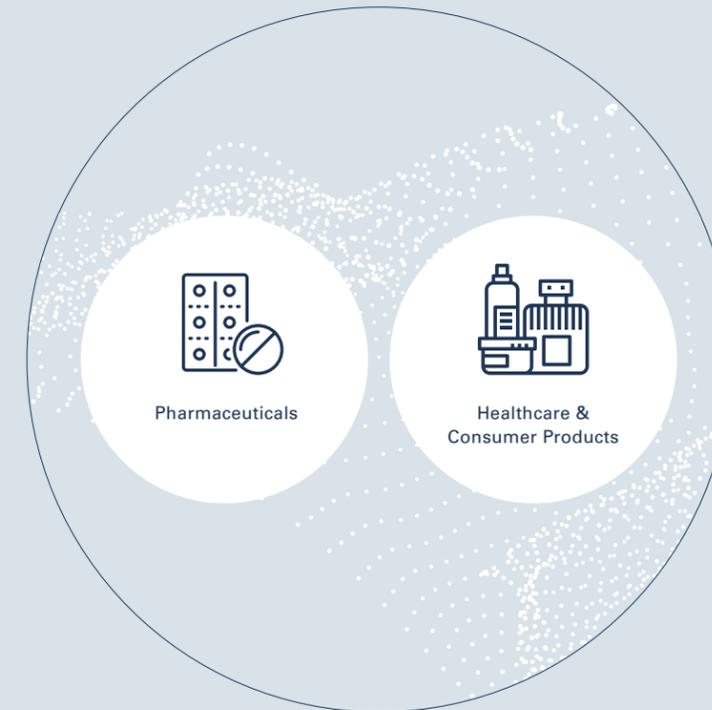
AHC Sales Group continues growing its domains from medical supplies for livestock—anti-virulence formula, anesthetics, and probiotics—and aquatic animal medicines (complementary feed and vaccines) to pet food and pet care businesses.

comprehensive healthcare brand through its newly launched sub-brand, Happy Home Medisure, while the Arm & Hammer brand plans to localize production to develop new products and enhance its brand power.

Yuhan Gen will continue with its on-site marketing and advertisements to raise public recognition while developing new products that can serve consumer needs. Yuhan's eco-brand Beautiful Detergent will also expand its market share to achieve its sales goal.

AHC Sales Group is expected to face challenges in 2019 due to the plunging manufacturer prices of livestock products arising from the increased import of meats and the oversupply of livestock processed products. In particular, the recent outbreak of African Swine Fever (ASF) in China and Vietnam poses a threat to the domestic industry, with potential contamination. AHC Sales Group plans on increasing market share for its herb-based growth formula Delacon products and expanding its distribution network for entry-level products in the pet business while also reinforcing social media and viral marketing. With new products related to aquatic vaccines, including Willow Marine S.E 4, slated for the first half of 2019, the division is expected to restore its No. 1 market share, thereby contributing to sales growth.

## YUHAN PRODUCT PORTFOLIO



Yuhan Corporation is proud to help with the health and quality of life in Korea through its extensive product lineup, ranging from quality ETC and OTC drugs that contribute to the nation's health to related products like consumer products, animal pharmaceuticals, nutritious supplements and cosmetics. This includes, Viread, which is for hepatitis B, and has a market-leading share of prescription and ETC drug sales; Tragenta is for type 2 diabetes; and Twynsta is our flagship product for hypertension treatment. Atorva and Rosuvamibe represent our statin lineup of hyperlipidemia treatments, while Duowell Tab is used to deal with hypertension and hyperlipidemia.

Among the company's OTC drugs, Beecom-C has been Korea's most favored vitamin C product for years, and Antiplamine is the nation's long-time favorite anti-inflammatory drug. In addition, Megatrue is a high-content vitamin pill that boasts an extensive product lineup, including vitamin B reinforcement products, while Mag-B is a magnesium supplement and a blood circulation enhancer that is also a painkiller. All these products are constantly growing in sales as our flagship products in their respective fields through our differentiated advertisement strategies.

Viread

**No. 1 Prescription Market Share and Top-seller of Chronic Hepatitis B Virus Treatment**

Launched through a strategic partnership with Gilead Science Korea, Viread is a flagship product of primary treatment for the chronic hepatitis B virus (HBV). It has now successfully established itself in the market, achieving noticeable growth over the past several years.



Viread

Trajenta & Trajenta Duo

**The Unrivaled Market leader for Type 2 Diabetes Treatment**

The diabetes treatment products Trajenta and Trajenta Duo have been licensed through a strategic partnership with Boehringer Ingelheim. These two products have grown into megabrands for Yuhan, selling more than KRW 100 billion on the strength of being highly effective in lowering blood sugar levels.



Trajenta & Trajenta Duo

Twynsta

**A Market Leader in Hypertension Treatment**

Twynsta is a compound of Telmisartan and Amlodipine. Since its launch in strategic marketing alliance with Boehringer Ingelheim years ago, it has sustained a high growth rate in the hypertension treatment market. Its market-leading position still remains unmatched.



Twynsta

Atorva

**A Market Dominant Power in Hyperlipidemia Treatment**

On the back of our powerful marketing and early entry in the market, Atorva (Lipitor's generic version of the drug) has made a remarkable debut in the KRW 800 billion hyperlipidemia market. As one of Yuhan's leading statin products, it continues to enjoy steady sales growth and is ready to dominate the market among comparable generic products.



Atorva

Rosuvamibe

**A High-Growth Rate Hyperlipidemia Treatment**

A compound of Rosuvastatin and Ezetimibe, Rosuvamibe is emerging in the hyperlipidemia market with a sales growth rate of 65.8 percent as of 2018.



Rosuvamibe

Duowell

**Developed In-house as the World's First Compound of Hypertensive/Hyperlipidemia Treatments**

Launched in 2015, Duowell is an in-house developed drug that is a compound of an antihypertensive component, Telmisartan, and a hyperlipidemia component, Rosuvastatin. Duowell is expected to lead the growth of our in-house developed new drug sector in the future.



Duowell

Antiplamine

**A Decades-old Household Brand from a Century-old Company**

Antiplamine was Yuhan's first in-house developed anti-inflammatory drug and has been a household medicine for all Koreans for almost a century.



Antiplamine

Megatru

**High Vitamin Content**

Megatru comes in various types and doses according to the different needs of diverse consumers to quickly recover from fatigue and receive a supply of necessary nutrition. For instance, Megatru is for business people; Megatru Gold for middle-aged people; Megatru Focus for teenagers and those preparing for important exams; and Megatru Power, with its high content of vitamin B (100mg), for people with special needs.



Megatru

Beecom-C

**Korea's Favorite Vitamin Supplement**

Beecom-C entered the market in 1963, and the advanced version, Beecom B+C compound, was introduced in 1987, which has been the nation's favorite vitamin supplement since its introduction. More recently, the latest version upgraded the product lineup with higher absorptivity of the active vitamin, helping people quickly recover from fatigue.



Beecom-C

Mag-B

**Treating Muscle Spasms/Blood Circulation Enhancer**

Mag-B supplements magnesium in our bodies, especially middle-aged people and those who are suffering high levels of stress, enhancing blood circulation and relieving pain. It is an original drug of similar efficacy, and has earned an excellent response from consumers.



Mag-B

Healthcare & Consumer Products — Consumer Products

Yuhanrox

**Korea's Long-time Favorite Cleaner**

First introduced to Korean consumers in 1975, Yuhanrox has been contributing to healthy and clean living conditions for Koreans since then. It has consistently maintained the highest sales record in the chloride bleach market for the past 43 years.



Yuhanrox

Yuhan Gen

**An Emerging Leader of the Oxygen-based Bleach Market**

Yuhan Gen is a high-quality oxygen-based bleach line that takes advantage of the excellent technology of the U.S. maker Clorox. It has emerged as the leader of the oxygen-based bleach market in its second year through effective marketing and rising consumer awareness since its launch in 2016.



Yuhan Gen

Happy Home

**Yuhan's New Introduction to Household Brands**

Launched in 2016 as a pesticide brand, Happy Home has made a remarkable accomplishment, earning KRW 10 billion in sales in only its second year on the market. In 2018, it marketed new products like air traps for capturing insects and disinfectants for external application so that it could grow beyond a pesticide brand and become a total healthcare brand.



Happy Home

Arm & Hammer

**Original Baking Soda Brand**

Arm & Hammer has launched a variety of baking soda-based, natural ingredient, and eco-friendly products, including toothpastes, abstergents, and deodorizers. In particular, the brand applies a stricter food additives level to all its domestically produced baking soda-based products in order to make its products safer and healthier to consumers.



Arm & Hammer

Healthcare & Consumer Products — AHC Products

Wellness

**A Premium Pet Food Brand**

Introduced to the U.S. market in 1926, Wellness is a premium natural pet food brand. Always focused on the health of pets, Wellness offers natural pet food products perfectly suited to the most selective pet palates.



Wellness

Delacon

**Eco-friendly Animal Feed Additives for the Health of Livestock and Higher Productivity**

Yuhan Corporation imports phytogetic feed additives from Austria's Delacon, a multinational feed additive company, to provide natural herbal extract-based animal feed additives for eco-friendly and antibiotic-free breeding in Korea. Its flagship products, Fresta F and BIOSTRONG®510, are performance additives for animal feeds of which the EU's Food Safety Agency has certified safety and efficacy.



Delacon

R&D and production are the two main pillars of what Yuhan Corporation has accomplished to date and where it finds its future opportunities. Our industry-leading KGMP production line maintains the highest level of quality control to manufacture global top-quality products. The R&D sector has constantly expanded its pipelines through active research and development efforts for breakthrough therapies, incrementally modified drugs (IMDs) and active pharmaceutical ingredients (APIs). It is also playing a leading role in domestic-overseas R&D collaborations and open innovation initiatives.

Business 4  
**Research & Development**

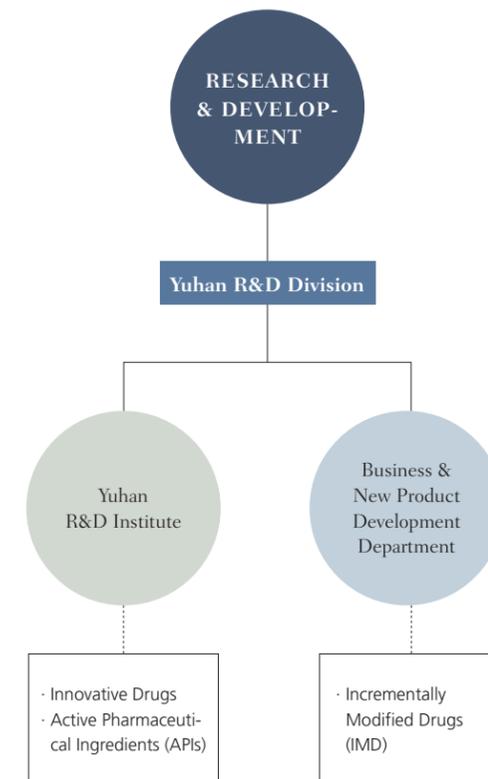


Yuhan Corporation has strategically adopted an open innovation platform to expand its R&D pipelines and new technologies.

**+8.8%** Year-on-Year Change  
**R&D INVESTMENT EXPENSES**

Yuhan Corporation opened a new chapter with its R&D and technical exports in 2018. It began with the technological export of its degenerative disc drug YH14618 to the U.S.-based Spine Biopharma in July. Three months later, the company signed a deal with Janssen Biotech to license out its lung cancer drug YH25448 (Lazertinib). The back-to-back export triumphs carried on into 2019 as Yuhan signed a license agreement with Gilead to develop novel investigational treatment for non-alcoholic steatohepatitis in January. To date, the total value of export agreements has amounted to an unprecedented KRW 2.5 trillion. This remarkable accomplishment can be attributed to our open innovation initiative since 2015 and R&D technologies. As a result, Yuhan's open innovation model is seen as a huge success story in Korea's pharmaceutical industry.

**BUSINESS AREAS**



**2018 IN REVIEW**

**Clinical Trial Pipeline Research Results**

Yuhan Corporation continued its focus in 2018 on maximizing its pipelines. The innovative drug Lazertinib, which was developed for treating non-small cell lung cancer, is currently in a phase II clinical trial. IMC-001, the cancer immunotherapeutic candidate developed by ImmuneOncia—Yuhan's joint venture with Sorrento Therapeutics—has successfully completed the phase I clinical trial.

Additionally, several candidates have either completed phase III clinical trials or are about to be commercialized, including: a compound treatment for hypertension and hyperlipidemia referred to as YHP1604 (Duowell A tablet); Korea's first breakthrough therapy that is a compound of anti-hypertension and a lipidemia-lower, referred to as YHP1701 (Rosuampin tablet); a compound treatment for co-existing hyperlipidemia and diabetes called YH14755 (Rosumet tablet), a compound treatment for hypertension named YH22162; and an IMD for treatment of diabetic neuropathy and post-herpetic neuralgia treatment. Also under development are therapeutic candidates for treating obesity and cancers.

### API Sector Performance Results

The Yuhan R&D Institute carries out research on production process development and core technology development for new therapeutic candidates for global clients as part of its CMO business, as well as R&D activities for Yuhan's Pharmaceutical Products and APIs for exports. In 2018, the institute performed more than 10 CMO projects, three of which successfully completed the API supply for clinical trials. As for in-house products, it has successfully completed the process development and manufacturing research for Telmisartan APIs, which will soon be applied to Pharmaceutical Products. In a bid to ensure base technology in a continuous manufacturing process, the institute has recently adopted new facilities for small-scale reaction research so that it can reinforce its sustainable API development competencies and global competitiveness.

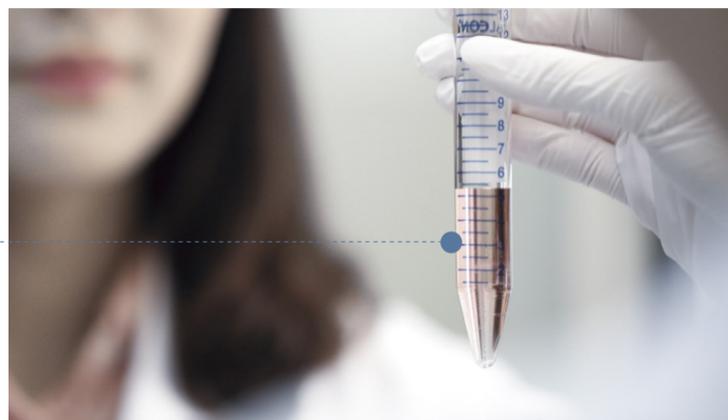
### Continued Open Innovation and New Drug Pipelines

Yuhan Corporation maintains its Open Innovation strategy to expand its R&D pipelines and to secure new technologies. In 2018, the company exported its added technologies of the degenerative disc treatment that it had introduced from a Korean bio startup called Ensol Bioscience to Spine Biopharma and Lazertinib, which it had licensed from a Korean bio venture, Osco Tech, to Janssen Biotech. It has also successfully developed the new cancer immunotherapy candidate YHC2106 through joint research for antibodies of cancer immunotherapy with the antibody R&D specialist Abclon. Moreover, Yuhan Corporation has established partnerships with several prominent pharmaceutical companies, including Bridge Bio, Green Cross, ABL Bio and Good T-Cell as part of its strategic investments and adoption of new prospect technologies. In a bid to globalize its open innovation platform, Yuhan Corporation set up Yuhan USA in San Diego in January 2018 and a representative office in Boston in December of the same year.

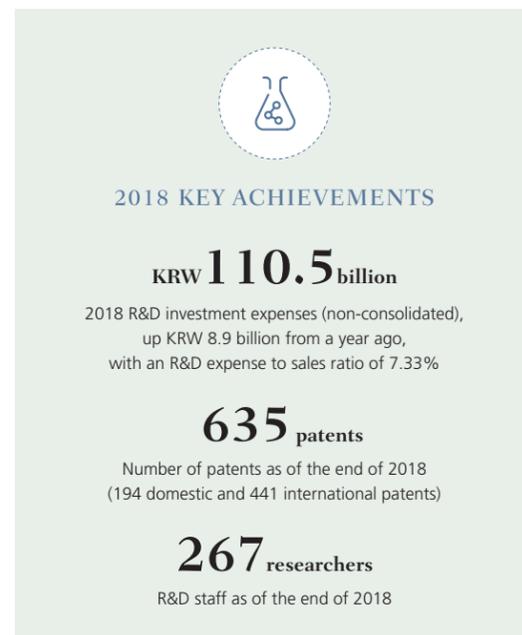
### NEW PRODUCTS IN 2018

#### Rosumet Tablet (launched in September 2018)

A dual-layered compound for treating hyperlipidemia and diabetes, consisting of rosuvastatin on an inner layer and metformin on an outer layer



Yuhan Corporation is securing future growth engines through strategic alliances and open innovation platforms.



## R&D AND INVESTMENT STRATEGIES

### Global New Drug R&D

In coping with cutthroat competition for breakthrough drugs in the pharmaceutical industry at home and abroad, Yuhan Research Institute strives to upgrade its in-house R&D technology and competencies to match those of the highest global standards. With a focus on its strategic product lines—anticancer drugs and metabolic disease treatments—the institute is strategically operating its R&D resources to reinforce its fundamental competencies. On the external front, it leverages its trust-based partnerships that have been maintained over a long period of time to accelerate the speed and success rates of new drug R&D through close collaborations with global pharmaceutical leaders in the initial stages. At the same time, the institute is strengthening its networks and partnerships for new drug R&D with bio ventures, universities, and public research entities, while fortifying its open innovation platform. As such, we are going to secure source technologies through an open innovation platform to integrate with our new drug development capabilities to enhance R&D efficiency as we increase the chances for global exports of our technologies.

### IMD (Incrementally Modified Drug) R&D

Yuhan's IMD R&D strategies are focused on compounds with enhanced efficacy of combination regimes and consumer convenience, new dosages with improved administration attributes, and enhancing formulations with lower adverse effects, while also completing a mid- and long-term product R&D portfolio with the aim of developing and marketing new products in a timely manner. As we reinforce our base technologies of dissolution speed control, solubilization and multi-layering, we will work harder to develop new drugs based on our APIs and products with improved productivity and quality. In the generic product R&D sector, we will move beyond simply creating generic versions and develop differentiated products. As for the OTC R&D sector, we plan on renewing existing products and developing consumer friendly dosages and designs.



### LICENSE-OUT IN 2018

Signed an agreement to license out Lazertinib, a lung cancer treatment, to Janssen Biotech

### API R&D

In our API R&D sector, we take advantage of our process optimization competency that we have accumulated to create the key R&D organization for CDMO operations. Offering differentiated services that cater to client needs for every procedure related to new drug R&Ds, from the early stages of preclinical trials up to commercialization, it will set the stage for our sustainable growth. To that end, we plan on discovering more base technologies and integrate API synthesis technology to enhance the process optimization technique. At the same time, we will expand the in-house development of API products for application to our Pharmaceutical Products and export items so as to develop top-quality API synthesis techniques.



#### LICENSE-OUT IN 2018

License-out agreement signed for the degenerative disc treatment YH14618 to the U.S.-based Spine Biopharma

#### PIPELINES

Yuhan R&D Institute concentrates its R&D resources on metabolic diseases and cancers, fields in which it sees a rising demand in the new drugs market worldwide and global pharmaceutical companies' need for technology licensures. As with the cancer sector, the institute focuses on anti-cancer immunotherapies, such as the targeted anti-cancer drug Lazertinib, while it focuses on non-alcoholic steatohepatitis and obesity in its R&D of metabolic diseases. In total, the institute is currently involved in 27 breakthrough therapeutic projects and five IMD projects.

#### MAJOR PIPELINES

##### YH25448 (Lazertinib): A next-generation targeted anti-cancer drug

Lazertinib is a third-generation epidermal growth factor receptor tyrosine kinase inhibitor (EGFR-TKI). It is used for treating non-small cell lung cancers that are resistant to first- and second-generation drugs. Its trial outcomes show excellent performance results in resistant mutation patients and lung cancer patients who developed brain cancer, with few side effects. As a result, we exported this technology to Janssen Biotech in November 2018. It is currently in phase II clinical trials and is preparing for joint global clinical trials with Janssen Biotech.

##### IMC-001: A bio-immunotherapy to fight cancer (ImmuneOncia)

IMC-001 is an anti-PD-L1 (programmed death-ligand 1) antibody that inhibits checkpoint molecules enabling immune cells to consume cancerous cells. Its antibody-dependent cytotoxicity is expected to have higher efficacy in fighting cancers than its comparative substances. In anticipation of rising demand for immunotherapeutic anticancer drugs combination regimes and high potential in combination regimes with PD-1/PD-L1 drugs, Yuhan Corporation made this part of its best-in-class strategies. It is now scheduled for phase II clinical trials in 2019.

##### YH25724: A novel treatment for non-alcoholic steatohepatitis

YH25724 is a recombinant protein that elicits dual efficacy via GLP-1 and FGF21 agonism. It is a new bio drug for treating non-alcoholic steatohepatitis (NASH) and a wide spectrum of other metabolic diseases, such as type 2 diabetes and obesity. Its nonclinical study of animal test model outcome showed it effectively improves major NASH conditions, like a fatty liver, inflammatory liver and liver fibrosis, also confirming its inhibitory effects on diabetes and obesity. It is currently in the process of preclinical tests and is preparing to apply as an investigational new drug in the U.S. by the end of 2019.

##### YHC2101: A cancer immunotherapy immune checkpoint inhibitor

YHC2101 is a bio immunotherapy for fighting cancer that inhibits the cancer cell's immune escape mechanisms, helping the immune system attack cancer cells. A synergy effect is expected in the combination regimes with existing immune checkpoint inhibitors, and its animal test results found the maximal efficacy in combination regimes with the anti-PD-L1 antibody. With the patent filed in early 2018, the product is planned for pre-clinical trials, clinical trials, and ultimately sales worldwide.

##### YHC1102: A breakthrough synthetic new drug for treating NASH

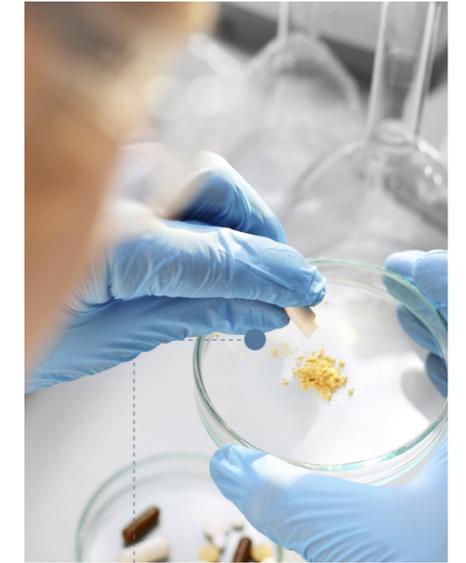
YHC1102 is a new synthetic drug that is currently under development to treat nonalcoholic steatohepatitis (NASH) based on its strong efficacy of stopping liver inflammation and fibrosis. Animal test results showed it can effectively inhibit many major conditions of NASH, liver inflammation, and fibrosis.

##### YHD1119: An IMD for diabetic neuropathy and postherpetic neuralgia

YHD1119 is a pregabalin IMD that taps into Yuhan's unique technology of a sustained release form for gastric retention. Pregabalin is a medication for treating neuropathic pain. Yuhan's sustained release technology improved patient convenience and compliance, as it enables a single daily administration, while the conventional pregabalin works only when administered twice a day. Yuhan has completed phase III clinical trials on patients suffering from diabetic neuropathy and post-herpetic neuralgia. After receiving the licensure in January 2019, it has been on the market since April of the same year.

##### YH14755 (Rosumet tab): A treatment for co-existing hyperlipidemia and diabetes

YH14755 is a compound IMD consisting of hyperlipidemia and diabetes treatments, with improved dosage convenience for diseases accompanying diabetes, such as hyperlipidemia. It combines a single daily dosage hyperlipidemia drug and a diabetes drug that is a sustained release tablet. Its phase I clinical test



#### LICENSE-OUT IN 2019

License-out agreement signed for the non-alcoholic steatohepatitis treatment to Gilead Sciences, Inc.



outcome confirmed its bioequivalence with combination regimes of the two drugs. Today, it has completed phase III clinical trials on patients with both diabetes and hyperlipidemia. After obtaining the licensure in June 2018, it was being sold on the market under the name Rosumet Tab as of September 2018.

**Duowell A-Tablet (YHP1604): A treatment for co-existing hypertension and hyperlipidemia**

YHP1604 is a tri-layer compound IMD for the simultaneous treatment of hypertension and hyperlipidemia. It was developed to improve convenience and compliance for patients suffering both diseases. Phase I clinical trials have verified the bioequivalence between YHP1604 and the combination regimes of the three individual drugs. The phase III clinical trials have also been completed on patients with both hypertension and hyperlipidemia. As of the end of 2018, it acquired licensure, and debuted on the market under the name Duowell A tablet in the first half of 2019.

**YHP1701 (Rosuampin): A compound drug for co-existing hypertension and hyperlipidemia**

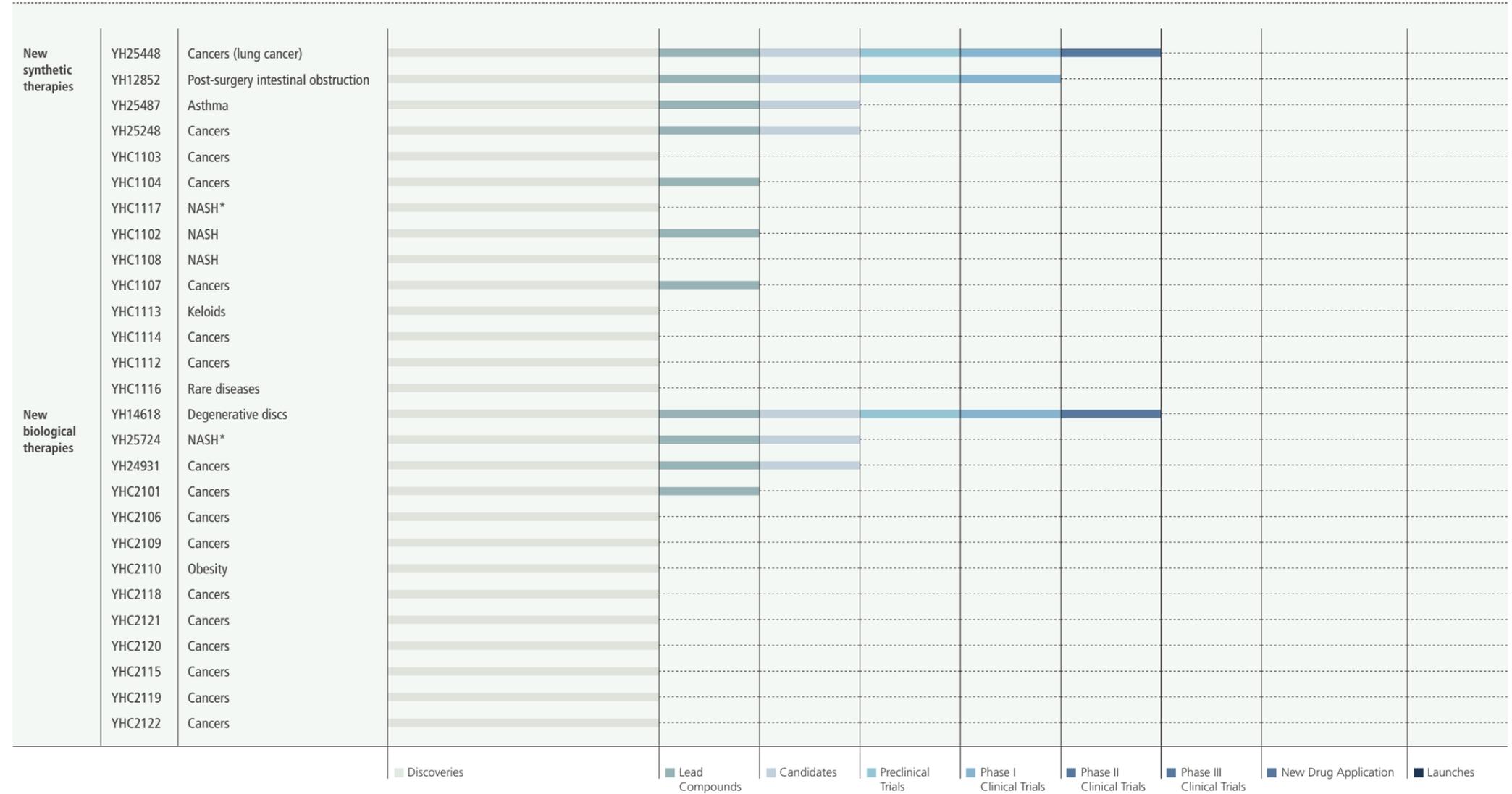
YHP1701 is a double-layer compound IMD for the simultaneous treatment of hypertension and hyperlipidemia. This was the first of its kind ever under development in Korea. Improved patient convenience is expected. Following the completion of phase III clinical trials on idiopathic hypertension patients suffering dyslipidemia, it earned licensure at the end of 2018. It is now available on the market under the name Rosuampin tablets.

**YH22162: A compound for treating hypertension**

YH22162 is an IMD for treating hypertension. By combining Amlodipine and Telmisartan with a diuretic, it improved patient convenience and compliance. Phase I clinical trial outcomes verified its bioequivalence with the separate administration of each drug. Phase III clinical trials on patients with uncontrolled blood pressure has proven its excellent efficacy in lowering blood pressure compared to Twynsta. It applied for NDA (New Drug Application) in the first half of 2019.

**INNOVATIVE DRUGS**

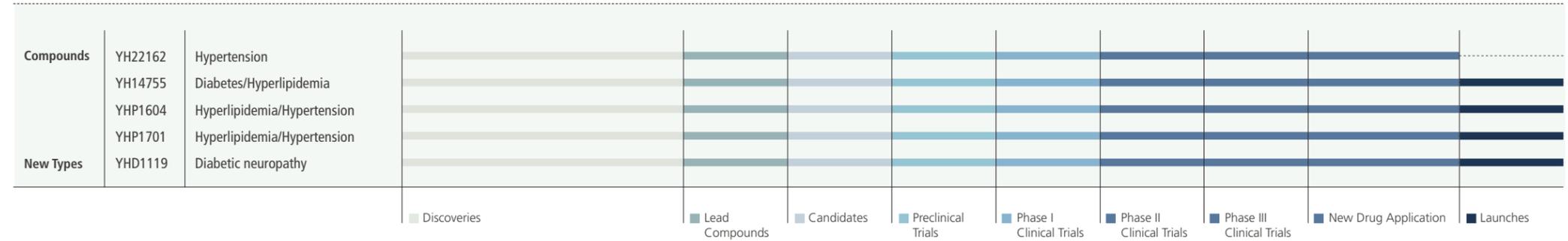
\* As of June 2019



\* NASH: Non-alcoholic steatohepatitis

**INCREMENTALLY MODIFIED DRUGS**

\* As of June 2019



Business 5  
**Production**

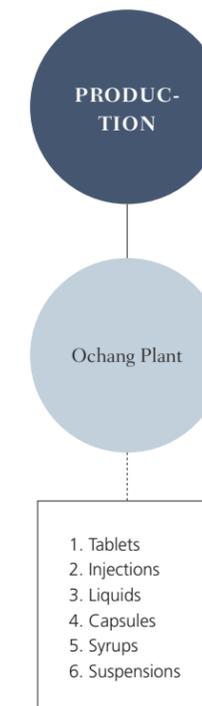


Yuhan Corporation manufactures and supplies pharmaceuticals that people can entrust their health problems with through its GMP-standard manufacturing systems and automated logistics systems.

**+22%** Year-on-year change  
**PRODUCTION VOLUME**

Yuhan Corporation's production line is capable of manufacturing 2.5 billion tablets annually, and is differentiated by eight types, including capsules, injections, liquids, and syrups, etc. In compliance with recent regulatory changes, we have separated our carbapenem-based antibiotics manufacturing systems to create an exclusive manufactory. In coping with growing sales, we have completed a second logistics center and import warehouse, and transferred our logistics center from Giheung to Gunpo. At the same time, Yuhan Corporation's Manufacturing Division maintains airtight quality control through consistent innovation drives to manufacture trustworthy pharmaceuticals and to contribute to the health of the nation.

**BUSINESS AREAS**



- 1. Tablets
- 2. Injections
- 3. Liquids
- 4. Capsules
- 5. Syrups
- 6. Suspensions

**2018 IN REVIEW**

Yuhan's medical supplies output grew by 22 percent from the previous year to KRW 532.5 billion, and was backed by the company's overall sales growth in 2018. The three main growth drivers were the KRW 6.3 billion growth in Atorva tablets (KRW 43.4 billion), KRW 18.3 billion growth in Rosuvamibe tablets (KRW 42.5 billion), and KRW 5.8 billion growth in Meropen injections (KRW 38.5 billion). By type, the Manufacturing Division produced a total of 2.05 billion tablets, 50 million ampules, and 2.8 million liters of syrups in 2018. In compliance with regulatory changes concerning medical supply manufacturing systems, we completed a carbapenem-exclusive manufactory in June 2018, which then went on to receive GMP verification by the Ministry of Food and Drug Safety (MFDS). New logistics and import warehouses were completed the following month and our logistics team relocated from Giheung to Gunpo in October. These changes were all aimed at covering the storage shortages arising from sales growth. The resultant upgrade in logistics also saved on logistics costs.

We also flexibly responded to the latest change in labor regulations, which regulates 52 working hours weekly as of last year. Our HRD focus has shifted from fostering single process experts to all-around players who can oversee different processes so as to enhance our production capacity while complying with legal changes. We have also expanded unmanned operations of many parts of our manufacturing and test facilities. Most importantly, Yuhan became the first Korean pharmaceutical company to remain accident-free on its sites for 14 times the industrial legal minimum accident control hours.



The Ochang plant is capable of manufacturing more than two billion tablets annually—the largest in volume in Korea—and its production line manufactures a wide range of medicine types.

### 2019 OUTLOOK

Yuhan Corporation trains its employees as experts to ensure the highest level of quality control.



In 2019, experts forecast a difficult environment in the manufacturing business, due mainly to sagging domestic consumption and the aftermath of the shorter weekly working hours. In coping with these difficulties, the Manufacturing Division will focus on providing quality products at reasonable prices to consumers in timely manner.

To that end, we have come up with the following four strategies. First, we will enter into quality agreements with raw material suppliers to prevent quality-related issues at source while preemptively responding to achieve a stronger quality control system.

Second, we will completely prepare for the GMP renewal review by the MFDS, which is slated for the latter half of 2019. In addition, we will thoroughly check the status quo of the GMP management and take appropriate measures to improve conditions. Our goal is to successfully renew the GMP approval in order to continue with our stable supply of quality products.

Third, we will strive for the timely supply of medical supplies. Enhanced productivity and increased unmanned production lines will help us heighten productivity, while flexibly operating manufacturing lines for seasonal items by producing them in advance and storing them in preparation for high-demand seasons.

Finally, we will expand our quality risk management scope to safety, environment and operational management areas. The Manufacturing Division cares not only about customers, but also about its employees. While improving the manufacturing and quality control of medical supplies to satisfy customer needs, we always consider employee health and safety as a top priority.

### OCHANG PLANT

Completed in 2006, the Ochang plant is equipped with a fully automated production system. Its industry-leading KGMP production lines roll out a wide array of quality medicines—from tablets to capsules—in different types through an automated logistics system. The world-leading production line includes fluid bed granulators, tablet press machines, and tablet inspectors.

### GREEN MANAGEMENT & SUSTAINABILITY MANAGEMENT

Yuhan Corporation is committed to sustainable green management. As such, we strive to reduce emissions of pollutants while constantly developing new eco-friendly products. In line with our corporate policy, the Manufacturing Division has in place an integrated environmental management system (ISO 14001, KOSHA/OHSAS 18001). On top of eco-friendly production, we engage in various activities to protect the environment. Our commitment to volunteerism and community service is only part of the company's overall efforts to carry out genuine CSR activities.

### PRODUCTION AMOUNT IN 2018

**KRW 532.5 billion**  
Medical supplies production value reached KRW 532.5 billion in 2018, which played a role in overall sales growth.



### 2018 KEY ACHIEVEMENTS

**2.05 billion tablets**  
Tablet production volume

**50 million ampoules**  
Injection production volume

**2.8 million liters**  
Syrup production volume

# 2

## SINCERE INTEGRITY

### Our Responsibilities

- 68 Yuhan's CSR System
- 69 Volunteerism
- 70 Social Responsibility
- 72 Human Resources
- 74 Health, Safety, and Environment

All business activities at Yuhan are deeply rooted in the founding mission: develop the very best medicines to contribute to public health and Korea's development. This carries on into our CSR activities through the Yuhan Foundation and Yuhan School towards the sustainable development of society and protecting the environment for the future. This steadfast commitment has earned numerous honorable commendations, including being named for a 16th year as one of Korea's Most Admired Companies. We have also received the Gold Tower Order of Industrial Service Merit, which is an honor bestowed on companies that have made a significant contribution to the development of Korea's economy and industry.



# 2

## SINCERE IN Our Responsibilities

### SUSTAINABLE YUHAN



Social Responsibility



Human Resources



Health, Safety  
& Environment

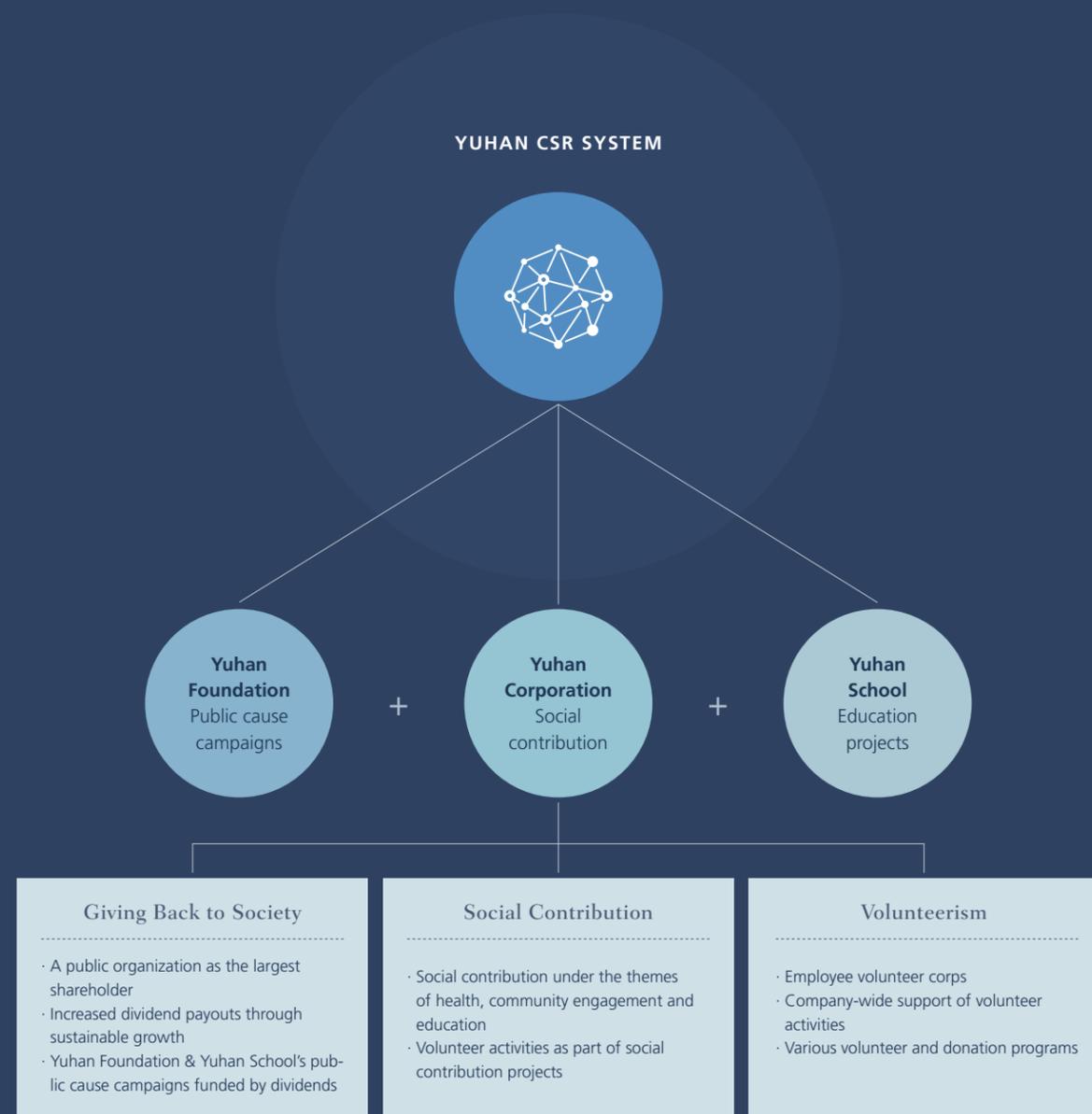
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- 68 Yuhan's CSR System
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# Yuhan's CSR System

Yuhan Corporation has an established system of returning corporate profits to society in line with Dr. Ilhan New's philosophy: "A company's profits should return to the society in which it thrives." This is facilitated by Yuhan's unique ownership structure, where two non-profit organizations—Yuhan Foundation and Yuhan School—are the two largest shareholders as a result of a donation by the late founder, Dr. New. This unique corporate governance enables fairness in major business decision-making processes, while consistently maintaining a high dividend payout policy in cash and bonus issues of stocks which fund the good causes of these foundations.



Making crayons in 2018 to present to children in underdeveloped countries

# Volunteerism

Yuhan Corporation runs a number of social contribution programs encouraging the active participation of employees in following the founder's commitment to giving back to society. All Yuhan employees are encouraged to take part in volunteerism that is based on our core corporate values: progress and integrity. In 2018, many more employees volunteered their time to good causes, resulting in twice as many volunteer hours than the previous year.

## VOLUNTEER ACTIVITIES



- Participation in Sharing**
  - Theme-based volunteer programs
  - Incubating new volunteer groups
  - Donation and sharing campaigns
- Sharing Practices**
  - Regular and continued volunteer activities
  - Volunteer groups customized to local needs
  - Local community-oriented practices
- Sharing Promotions**
  - Education for volunteer competency-building
  - Volunteerism support programs
  - Commendations of excellent performers and overseas studying programs

## PARTICIPATION IN SHARING

Yuhan Corporation systematically supports its employees' volunteer activities through diverse volunteer and donation programs. Each worksite runs monthly theme-based volunteer programs in which employees can participate along with their families in promotion of the company-wide spread of a volunteer culture and in addressing local community issues. Diverse CSR campaigns and donation drives invite our employees to take part in the company's volunteer initiatives as part of our corporate culture.

## SHARING PRACTICES

Yuhan Corporation supports employees' long-term sustainable sharing activities through volunteer groups. In addition to talent donation volunteer groups, the company systematically fosters new volunteer groups in its incubating program, and supports existing groups in reinforcement and management operations in promotion of the company-wide spreading of sharing practices.

## SHARING PROMOTION

Yuhan Corporation has education programs to foster competent volunteer experts, while fairly rewarding excellent performers and overseas study programs to foster leaders in CSR activities. Going forward, Yuhan Corporation will continue its efforts to foster CSR experts who put into action the founding spirit of the company and contribute to society.

**2018 KEY ACHIEVEMENTS**

**7,089 hours**  
Volunteer hours in 2018 (compared to 3,712 hours in 2017)

**2,113 employees**  
No. of participants in volunteer activities (compared to 1,095 in 2017)

**Sharing Culture**

- Building a company-wide consensus and promoting sharing practices
- Monthly CSR newsletters, in-house publications, CSR bulletin board on the intranet and on the corporate website
- Regular townhall meetings and surveys to listen to the voice of employees



1 Painting walls on old buildings in Dongjak-gu, Seoul in 2018



2 A Yuhan employee participating in blood donation campaign in 2018

medical supplies to medically underprivileged people at home and abroad. In 2018, beneficiaries amounted to 362 healthcare centers in Korea and overseas and 1,400 low-income family households, including men of national merit.

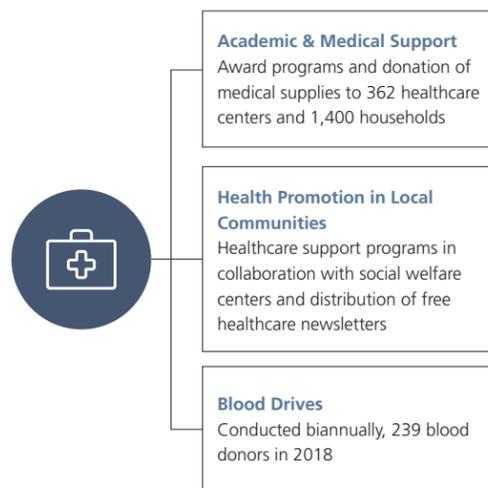
**Health Promotion in Local Communities**

As part of our diverse healthcare support programs, Yuhan Corporation runs health promotion programs for low-income elderly citizens in collaboration with social welfare centers. We also distribute nutritional supplements, health supplements, and various other healthcare kits to local low-income elderly people. In addition, we distribute free healthcare newsletters titled Healthcare Buddies to residents in digitally-marginalized areas.

**Blood Donation by Yuhan Employees**

Yuhan Corporation's employees have participated in blood donation twice a year since 2008. In 2018, 239 employees joined the donation from the headquarters, research centers, and factories.

**NATIONAL HEALTH PROMOTION PROGRAMS**



# Social Responsibility

Yuhan Corporation proudly generates new social value for a better future through its diverse CSR activities and its employees' commitment to volunteerism. In particular, we cooperate with local social welfare centers to effectively address social issues and to offer customized welfare services as part of our CSR fulfillment.

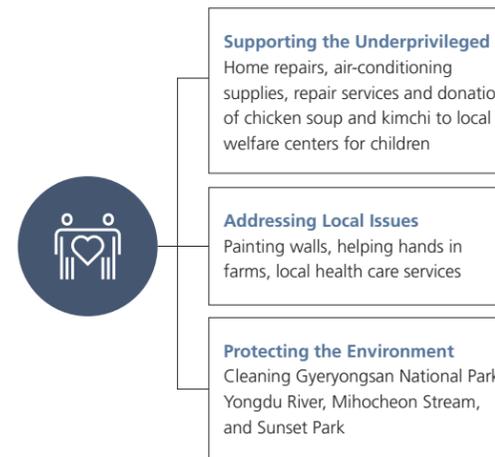
**NATIONAL HEALTH PROMOTION**

Yuhan Corporation applies its core principles in promoting the physical, mental, and social health of the nation.

**Academic & Medical Support**

Dedicated to the promotion of people's health and medical development, Yuhan Corporation supports a variety of academic research activities by institutes and individuals. In promotion of national healthcare practices, we have signature academic awards called the Yuhan Prize for Medicine and the Yuhan Prize for Tuberculosis and Respiratory Disease Research. In addition, we provide

**A HAPPIER SOCIETY PROGRAMS**



**A HAPPIER SOCIETY**

Yuhan Corporation strives to address local issues to ensure the happiness of all members of the society.

**Supporting the Underprivileged**

Yuhan Corporation reaches out to the underprivileged, such as elderly citizens living alone and the disabled, through a number of support programs. In collaboration with local authorities, our programs are customized to meet specific local needs, from housing support programs such as home repair services and donations of air-conditioning supplies and honeycomb briquettes to seasonal activities like sharing kimchi and chicken soup.

**Addressing Local Issues**

Another important CSR initiative at Yuhan is to timely identify and address pending issues of local communities. In 2018, we painted the walls of old buildings to bring life back in the neighborhood of Heukseok-dong, Seoul. Furthermore, our social network for addressing local issues expanded from 17 social welfare centers in 2017 to 29 in 2018, all of which are near our headquarters, factories and research centers.

**Protecting the Environment**

Yuhan Corporation is also committed to protecting the environment. For instance, we clean the trails of Gyeryongsan National Park and the Yongdu River on a regular basis under agreements with local authorities. We also do this through a voluntary agreement on restoring the water quality of the Mihocheon Stream. Our employee volunteer corps also plants trees in Seoul's Sunset Park on a regular basis.



Gardening and mentoring activities at home for children in 2018

**HOPE FOR A BETTER FUTURE**

Yuhan employees contribute their talent and skills to instill hope in the young minds of underprivileged families through various education and mentoring programs.

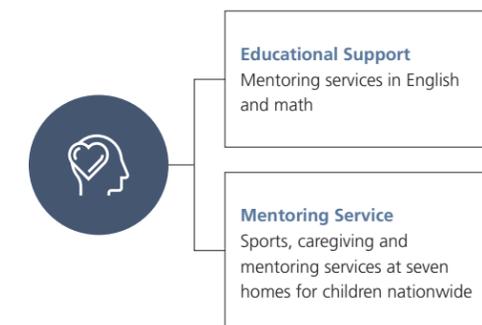
**Educational Support to Children**

Children are our future leaders. We are responsible for helping them realize their full potential. Yuhan employees regularly volunteer their time to provide afterschool programs and mentoring services to children at local centers for kids—two in Seoul and one in Yongin—helping them pursue their own dreams.

**Mentoring at Home for Children**

Yuhan employees from all business centers gather together to serve as mentors to children and teenagers at five local homes for kids through sports, as well as gardening and caregiving activities.

**HOPE FOR BETTER FUTURE PROGRAMS**





Yuhan Talent that generate value and outcomes through diverse HRD programs

**PERSONNEL MANAGEMENT**

As Dr. New once said, "Those who work for the same company share the same destiny through corporate activities." At Yuhan—and in pursuit of Dr. Ilhan New's philosophy—our personnel management is based on a principle of respecting others, a system in which the company is operated by employees, and its most important resources are the people themselves. All of our management personnel are executives who were appointed through open recruitment. At Yuhan, competent employees are entitled to fair opportunities to reach the top of the company if they are qualified. Furthermore, our operations have a fair and reasonable promotion system that balances talent with seniority.

**EMPLOYEE BENEFITS**

We believe that creating higher corporate value begins with balancing work and life. Yuhan Corporation provides generous benefit programs for employees to improve their quality of life and in turn improve their focus on work. The company makes annual contributions to the Employee Welfare Fund to promote employee welfare benefits. We also reward long-time employees with commendations and offer them a group injury insurance policy coverage. In addition, we run leisure facilities and condominiums for vacations, offer health check-ups, grant them a family affair allowance and leave, and support corporate club activities. In promotion of quality of life and practical benefits, we encourage employees to take leaves when need be. Specifically, our substitute worker system encourages employees to take parental leave and maternity leave without any worry of their workload, resulting in a growing number of parental leave applications each year. There are no limits to the number of child beneficiaries, the company subsidizes the tuition for universities and medical/pharmaceutical graduate schools of employees' children. We also have

# Human Resources

Progress and integrity have been the two core values of Yuhan Corporation since its foundation. They constitute the basic principles of facilitating human resources development at the company. Inspired by Dr. New's novel respect for humanity, Yuhan cultivates creativity, an enterprising spirit and passion in its talented employees as guidance for its corporate vision towards future growth. Its anti-nepotism management policy also ensures fair opportunities for all employees to aspire for the CEO position. The fair personnel management and systematic education programs foster future leaders and experts in their respective job duties, while generous employee benefit programs inspire loyalty and commitment.

**2018 KEY ACHIEVEMENTS**

**KRW 1.44 billion**  
Scholarship paid for employees' children tuitions

**315 students**  
No. of beneficiaries of employee children scholarships

an in-house childcare center as part of our family-friendly policy. Moreover, Yuhan Corporation continues to listen to the candid opinions of our employees to improve the company's welfare programs through an anonymous report bulletin board.

**HUMAN RESOURCES DEVELOPMENT PROGRAMS**

At Yuhan Corporation, we strongly believe that sustainable growth can be achieved when highly competent employees realize their full potential. We operate a range of HR development programs to nurture competent leaders and provide self-directed learning in support of our employees' self-realization. Our systematic curriculum programs include job function, global competency-building, leadership, management, and organizational activation. The courses also include diploma programs, domestic/overseas language courses, offline courses, online/mobile courses, and in-house classes. In support of self-directed learning within the corporate culture, we renewed our educational infrastructure, such as our online training center and electronic library and newly added subsidies for language course tuitions, while also abolishing all mandatory education programs. Going forward, we will continue to expand educational opportunities and enhance their quality to foster globally competent human resources who are leaders with expertise in their respective job duties, while promoting communication and innovation to build a dynamic corporate culture.

**HOPE FOR BETTER FUTURE PROGRAMS**



**EDUCATION PROGRAM SYSTEM**

|                     | By job function  |   | Global competency-building | By job class course                        |                           | Basic common courses      |                               |  |                               |                                     |   |   |  |  |  |                                 |   |                                       |                         |  |
|---------------------|--|---|----------------------------|--|---------------------------|---------------------------|-------------------------------|--|-------------------------------|-------------------------------------|---|---|--|--|--|---------------------------------|---|---------------------------------------|-------------------------|--|
|                     | Job-common courses   | Expertise   |                            | Class                                      | Leadership                |                           |                               |  |                               |                                     |   |   |  |  |  |                                 |   |                                       |                         |  |
| Executives          | Job-common + Selective competency-building (28 courses, including trouble-shooting and strategic thinking) | Expertise / Management, Sales, Manufacturing, R&D | Outsourced diploma courses | Online / Phone & video classes / Academies | Domestic language courses | Overseas language courses | Newly promoted executives     | Special course for executives                                      | Orientation for new employees | Director competency building course | Department manager competency-building course I | Newly promoted department manager competency-building course II | Newly promoted managers/competency-building course | Associate manager competency-building course I | Newly promoted associate manager course II | Orientation for Yuhan employees |   |                                       |                         |  |
| Team Managers       |  |   |                            |  |                           |                           | Team manager workshops        | Legal courses (including an occupational health and safety course) |                               |                                     |   |   |  |  |  |                                 |   |                                       |                         |  |
| 1st grade           |  |   |                            |  |                           |                           | Orientation for new employees |  |                               |                                     |   |   |  |  |  |                                 | Online (Personality & humanity liberal course + mandatory competency-building course) | Campaigns (Internalizing core values) | Organization activation |  |
| 2nd grade           |  |   |                            |  |                           |                           |                               |  |                               |                                     |   |   |  |  |  |                                 |   |                                       |                         | Newly promoted managers/competency-building course |
| 3rd grade           |  |   |                            |  |                           |                           |                               |  |                               |                                     |   |   |  |  |  |                                 |   |                                       |                         |  |
| 4th grade           | Orientation for Yuhan employees  |   |                            |  |                           |                           |                               |  |                               |                                     |   |   |  |  |  |                                 |   |                                       |                         |  |
| 5th grade and below |  |   |                            |  |                           |                           |                               |  |                               |                                     |   |   |  |  |  |                                 |   |                                       |                         |  |

Legend: ■ Self-Development Course ■ Elective Course ■ Mandatory Course



Occupational Health & Safety Commission Meeting

**QUALITY PHARMACEUTICALS  
MANUFACTURED FROM  
A GLOBAL-STANDARD EMS SYSTEM**

The Ochang plant has adopted KOSHA/OHSAS 18001 Health and Safety Management Assessment to ensure safety management practices. In compliance with all health and safety regulations, employee safety is our top priority at all our worksites, while also striving to ensure safe working conditions. All worksites also operate under a process safety management (PSM) system to prevent serious industrial accidents such as fires and explosions in the normal course of handling harmful and hazardous materials. Periodic risk assessments are conducted to timely identify risk factors on the entire process to maintain as a safe workplace. As a result, since our accident-free campaign in 1999, we have remained 14 times higher than the industry target for accident-free hours, and we are now working towards making that 15 times the goal.

**OCCUPATIONAL SAFETY  
& HEALTH COMMISSION**

The Ochang plant has an occupational safety & health commission on its premise. The commission holds quarterly meetings, allowing labor and management to closely deliberate and resolve issues concerning health and safety to improve working conditions. In short, they work hard to ensure a safer working environment for all employees.

**ENVIRONMENTAL MANAGEMENT SYSTEM**

The Ochang plant has established an environmental management system (ISO14001) in pursuit of its corporate social responsibility, as well as maintaining a sustainable business and a safe society. We strive to balance our business activities with the environment under key management targets, such as pollutant reductions, a clean production line, and resource recycling. All departments mandate their own targets and improvement initiatives, and review their conformity to the company's EMS and accomplish-

# Health, Safety, and Environment

Yuhan Corporation has a team dedicated to the efficient operation of health, safety and environment management to ensure healthy and safe working conditions that also contribute to protecting the environment through its green management practices. Our worksites are certified with health and safety management systems, KOSHA/OHSAS 18001, and our environmental management system through the ISO14001. Since launching an accident-free worksite campaign in 1999, we have remained accident-free 14 times the industrial goal to date, and are now in the progress of achieving 15 times the industrial goal of accident-free hours.

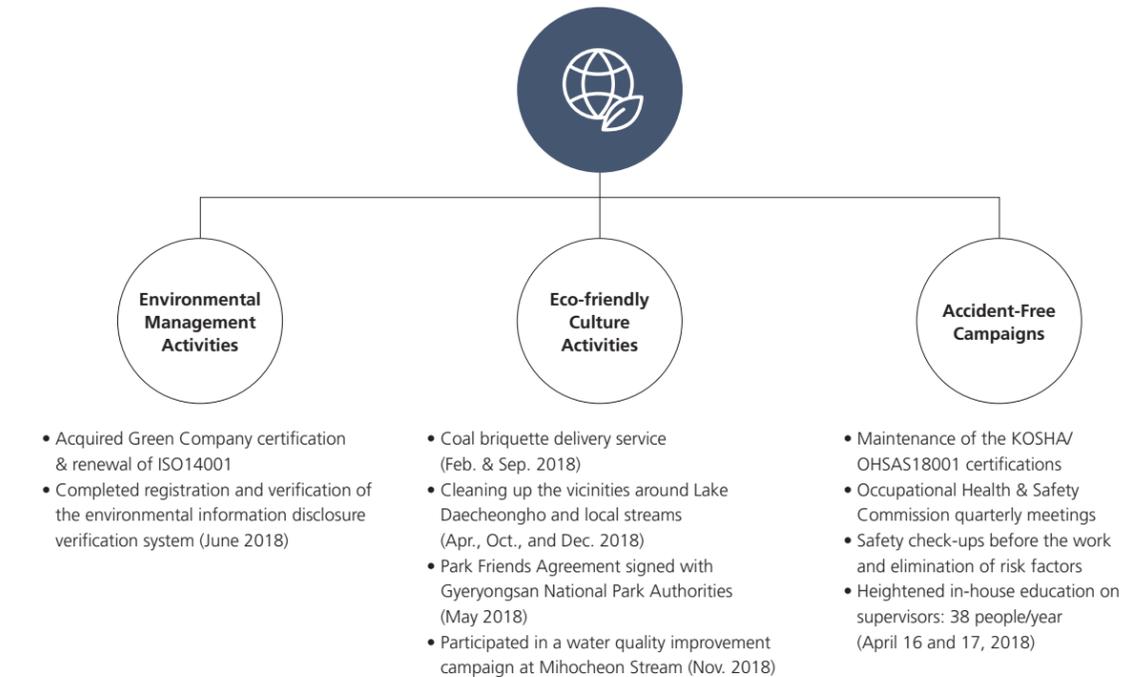


**2018 KEY ACHIEVEMENTS**

**19** consecutive years  
Accident-free worksite  
(Ochang Plant)

**141** times, Accident-free  
14 times the industry's target  
accident-free duration

HEALTH, SAFETY, AND ENVIRONMENT MANAGEMENT ACTIVITIES



ments compared to preassigned targets. In addition to our voluntary initiatives to cut down greenhouse gas emission in line with a low-carbon initiative, we disclose our greenhouse gas inventory in an effort to help reduce our carbon footprint. This is only part of our effort to deal with rising concerns over climate change and environmental risks.

**GREEN COMPANY**

Yuhan Corporation has established an environmental management system that aims to minimize pollutant emissions, while also preserving resources and saving energy. This earned us Green Company certification from the Ministry of Environment in 2009. We also have in place an autonomous environment management system. While keeping our pollutant emissions 20 percent below the legal standards, we always strive to minimize our environmental risks through exhaustive monitoring and prior inspections on filters and other equipment. At the same time, we contribute to campaigns with local authorities by signing environmental MOUs, such as participating in green company meetings and environmental policy forums, agreements with local authorities to protect the environment called Park Friends, and water improvement initiatives for the Mihocheon Stream.



Both labor and the management devote concerted efforts to prevent occupational accidents and establish a safe workplace to promote the health and safety of all our employees.



- 1 An improvement in working conditions: Using soundproof electronic earmuffs
- 2 An improvement in working conditions: Installing industrial robot protective fences

## 3

## Financial Statements

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## Independent Auditors' Report

English translation of a report originally issued in Korean

To the shareholders and board of directors of Yuhan Corporation

**Opinion**

We have audited the accompanying separate financial statements of Yuhan Corporation and its affiliate (hereinafter, collectively referred to as the Group), which comprise the consolidated statements of the Group's financial position as of December 31, 2018 and December 31, 2017; the consolidated statements of comprehensive income, consolidated statements of changes in equity, and consolidated statements of cash flows for both years; and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements are presented fairly in all material respects for the consolidated financial positions of the Group as of December 31, 2018 and December 31, 2017, and its consolidated financial performance and consolidated cash flows for the years are in accordance with Korean IFRS Standards.

**Basis of Audit Opinion**

We conducted our audits in accordance with the Korean Standards on Auditing. Our responsibility, in accordance with these standards, is specified in the Auditor's Responsibility in Auditing the Consolidated Financial Statements in this audit report. We are independent from the Group in accordance with the ethical requirements of the Republic of Korea in relation to auditing consolidated financial statements, and have fulfilled our other ethical obligations in accordance with such requirements. We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our audit opinion.

**The Responsibility of Management and the Governing Body for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS Standards), and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

**The Responsibility of the Auditor in Auditing the Consolidated Financial Statements**

Our purpose lies in producing an audit report that includes our opinion based on the reasonable assurance obtained as to whether the Group's consolidated financial statements as a whole are free from material misstatements due to fraud or error. Reasonable assurance means a high level of assurance, but does not guarantee that audits performed conforming to audit standards will always detect significant signs of material

misstatements. Misstatements may arise from fraud or error, and if a misstatement is reasonably expected to individually or collectively affect the economic decision of users of this report made based on said consolidated financial statements, the misstatement is considered material.

As part of the audit conforming to audit standards, we make professional judgments throughout the entire procedure of the audit and maintain a professional degree of skepticism. We also:

- Identify and evaluate risks of material misstatements in consolidated financial statements resulting from fraud or error and design, and perform audit procedures to counter such risks. We also obtain sufficient and appropriate audit evidence as the basis for the audit opinion. As fraud can involve collusion, forgery, intentional omissions, misrepresentation, or the disabling of internal controls, the risk of not being able to detect material misstatements due to fraud is larger than the risk of error.
- Comprehend internal controls relevant to the auditing of consolidated financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- An audit also includes an evaluation of the reasonableness of disclosures related to accounting estimates made by the management board, as well as the appropriateness of the accounting policies used by the management board in preparing consolidated financial statements.
- Determine whether the management board's accounting assumptions for the Group as a going concern were appropriate or whether there exists any material uncertainty related to the events or circumstances which may cast significant doubt on the Group's ability to continue as a going concern based on the audit evidence obtained. If we conclude that such material uncertainty exists, we are required to draw attention in the audit report to the disclosure of such events in the consolidated financial statements and, if such disclosure turns out to be inappropriate, to change our audit opinion. Our conclusions are based on the audit evidence we have obtained as of the audit report date, but future events or circumstances could lead to the discontinuation of the Group as a going concern.
- Assess the overall presentation, structure, and content of consolidated financial statements, including disclosures, and assess whether transactions and events on which the consolidated financial statements are based are presented fairly in consolidated financial statements.

We communicate with the governing body about significant audit findings, such as major shortcomings in the internal control practices identified during the auditing process, as well as the planned audit scope and duration.

We also provide the governing body with a statement that we are in compliance with ethical requirements mandating our independence from the Company, communicate all relevant relationships and other matters deemed relevant to our independence issues and, where appropriate, the relevant institutional safeguards with the governing body.

This auditors' report is based on the audit results conducted by Keun-young Chung, a Korean certified public accountant at Samil PricewaterhouseCoopers.

March 7, 2019

Samil PricewaterhouseCoopers  
Chairman/CEO  
**Young-Sik Kim**

This Auditors' Report is effective as of the reporting date, March 7, 2019. Accordingly, the report is subject to change or update due to potential and significant events or situations that can have a significant impact on the financial statements of the Group between the reporting date and the date of reading.

# Consolidated Statements of Financial Positions

December 31, 2018 and 2017

Yuhan Corporation and Subsidiaries (in KRW)

|   | 2018                     | 2017                     |
|---|--------------------------|--------------------------|
| <b>Assets</b>                                   |                          |                          |
| <b>I. Current assets</b>                        | <b>1,110,961,782,607</b> | <b>1,069,512,906,257</b> |
| 1. Cash and cash equivalents                    | 241,296,082,668          | 256,607,486,669          |
| 2. Short-term financial instruments             | 18,311,850,556           | 35,948,090,339           |
| 3. Short-term investments                       | 214,946,829,482          | 208,520,251,626          |
| 4. Trade accounts and notes receivable          | 343,186,494,375          | 283,714,873,637          |
| 5. Accounts receivable                          | 12,929,796,919           | 9,585,089,594            |
| 6. Short-term loans                             | 267,691,531              | 260,000,000              |
| 7. Inventories                                  | 248,860,494,097          | 271,183,981,240          |
| 8. Advanced payments                            | 29,965,656,461           | 2,688,094,225            |
| 9. Prepaid expenses                             | 887,793,585              | 737,178,422              |
| 10. Deposit                                     | 309,092,933              | 267,860,505              |
| <b>II. Non-current assets</b>                   | <b>1,062,850,850,708</b> | <b>1,025,160,517,558</b> |
| 1. Long-term financial instruments              | 27,000,000               | 84,500,000               |
| 2. Long-term investments                        | 151,593,560,287          | 145,296,399,333          |
| 3. Investments in associates and joint ventures | 399,737,583,712          | 372,586,571,302          |
| 4. Property, plant and equipment                | 343,307,338,273          | 355,412,428,909          |
| 5. Investment property                          | 104,495,766,919          | 111,070,674,945          |
| 6. Intangible assets                            | 33,783,098,940           | 25,736,900,792           |
| 7. Deposits Provided                            | 18,999,204,018           | 12,708,639,113           |
| 8. Other non-current assets                     | 6,534,178,421            | -                        |
| 9. Deferred income tax assets                   | 4,373,120,138            | 2,264,403,164            |
| <b>Total assets</b>                             | <b>2,173,812,633,315</b> | <b>2,094,673,423,815</b> |

# Consolidated Statements of Financial Positions

Yuhan Corporation and Subsidiaries (in KRW)

December 31, 2018 and 2017

|   | 2018                     | 2017                     |
|---|--------------------------|--------------------------|
| <b>Liabilities</b>                          |                          |                          |
| <b>I. Current liabilities</b>               | <b>349,712,424,558</b>   | <b>276,313,677,284</b>   |
| 1. Trade payables                           | 89,984,660,094           | 97,841,500,338           |
| 2. Non-trade payables                       | 46,630,772,439           | 37,172,405,479           |
| 3. Accrued expenses                         | 1,667,039,699            | 2,754,162,441            |
| 4. Income taxes payable                     | 26,531,476,312           | 21,755,548,432           |
| 5. Withholdings                             | 26,763,664,713           | 23,526,931,546           |
| 6. Deposits received                        | 9,161,466,000            | 11,749,186,000           |
| 7. Short-term borrowings                    | 1,300,000,000            | 3,186,140,739            |
| 8. Advances from customers                  | 98,221,655,239           | 63,027,802,309           |
| 9. Current portion of long-term liabilities | 47,072,222,220           | 15,300,000,000           |
| 10. Other Current liabilities               | 2,379,467,842            | -                        |
| <b>II. Non-current liabilities</b>          | <b>172,364,705,165</b>   | <b>212,034,751,049</b>   |
| 1. Net defined benefit liabilities          | 44,931,918,559           | 45,498,941,184           |
| 2. Provision for returns                    | 14,160,859,755           | 6,690,794,941            |
| 3. Other provisions                         | 11,406,629,971           | 9,947,133,222            |
| 4. Deferred income tax liabilities          | 30,689,130,215           | 33,674,492,817           |
| 5. Long-term deposits received              | 964,000,000              | 884,500,000              |
| 6. Long-term borrowings                     | 70,212,166,665           | 115,338,888,885          |
| <b>Total liabilities</b>                    | <b>522,077,129,723</b>   | <b>488,348,428,333</b>   |
| <b>Equity</b>                               |                          |                          |
| <b>I. Capital stock</b>                     | <b>62,227,710,000</b>    | <b>59,510,420,000</b>    |
| 1. Capital stock-common                     | 61,046,770,000           | 58,329,480,000           |
| 2. Preferred capital stock                  | 1,180,940,000            | 1,180,940,000            |
| <b>II. Other paid-in capital</b>            | <b>(51,208,871,649)</b>  | <b>(35,129,987,441)</b>  |
| <b>III. Retained earnings</b>               | <b>1,535,362,890,260</b> | <b>1,493,282,491,002</b> |
| <b>IV. Other components of equity</b>       | <b>95,276,668,339</b>    | <b>82,315,350,255</b>    |
| <b>V. Non-controlling interests</b>         | <b>10,077,106,642</b>    | <b>6,346,721,666</b>     |
| <b>Total equity</b>                         | <b>1,651,735,503,592</b> | <b>1,606,324,995,482</b> |
| <b>Total liabilities and equity</b>         | <b>2,173,812,633,315</b> | <b>2,094,673,423,815</b> |

# Consolidated Statements of Comprehensive Income

Yuhan Corporation and Subsidiaries (in KRW)

Years Ended December 31, 2018 and 2017

|  | 2018                     | 2017                     |
|--|--------------------------|--------------------------|
| <b>I. Sales</b>  | <b>1,518,822,858,428</b> | <b>1,462,248,030,140</b> |
| <b>II. Cost of sales</b>   | <b>1,105,030,834,749</b> | <b>1,037,623,911,211</b> |
| <b>III. Gross profit</b>   | <b>413,792,023,679</b>   | <b>424,624,118,929</b>   |
| <b>IV. Selling, general and administrative expenses</b>            | <b>289,598,582,754</b>   | <b>264,479,687,896</b>   |
| <b>V. Research and development expenses</b>                        | <b>74,066,997,872</b>    | <b>71,434,810,887</b>    |
| <b>VI. Operating profit</b>  | <b>50,126,443,053</b>    | <b>88,709,620,146</b>    |
| <b>VII. Other income</b>   | <b>12,365,319,766</b>    | <b>29,986,949,212</b>    |
| <b>VIII. Other expenses</b>  | <b>15,961,794,700</b>    | <b>16,819,715,253</b>    |
| <b>IX. Finance income</b>  | <b>16,380,286,204</b>    | <b>10,236,643,335</b>    |
| <b>X. Finance expenses</b>   | <b>5,177,118,471</b>     | <b>13,655,727,842</b>    |
| <b>XI. Equity method gains (losses) on investments</b>             | <b>31,657,876,968</b>    | <b>46,462,722,213</b>    |
| <b>XII. Profit before income tax</b>                               | <b>89,391,012,820</b>    | <b>144,920,491,811</b>   |
| <b>XIII. Income tax expense</b>                                    | <b>31,056,050,496</b>    | <b>35,283,833,053</b>    |
| <b>XIV. Net income</b>   | <b>58,334,962,324</b>    | <b>109,636,658,758</b>   |
| 1. Controlling interest  | 57,480,741,107           | 109,034,185,953          |
| 2. Non-controlling interest  | 854,221,217              | 602,472,805              |
| <b>XV. Other comprehensive income</b>                              | <b>21,147,668,436</b>    | <b>(3,984,974,506)</b>   |
| Items that will not be reclassified subsequently to profit or loss | 20,645,361,180           | (8,683,237,326)          |
| 1. Gains(losses) on actuarial valuation                            | 87,627,627               | (14,399,911,340)         |
| 2. Changes in retained earnings from the equity method             | 479,742,305              | 5,716,674,014            |
| 3. Gains(losses) on evaluation of available-for-sale investments   | 4,187,417,272            | -                        |
| 4. Gains(losses) on disposal of available-for-sale investments     | 15,890,573,976           | -                        |
| Items that will not be reclassified subsequently to profit or loss | 502,307,256              | 4,698,262,820            |
| 1. Gains(losses) on evaluation of available-for-sale investments   | 361,894,413              | 4,698,262,820            |
| 2. Difference of overseas operations translation                   | 140,412,843              | -                        |
| <b>XVI. Total comprehensive income</b>                             | <b>79,482,630,760</b>    | <b>105,651,684,252</b>   |
| <b>XVII. Earnings per share</b>                                    |                          |                          |
| 1. Basic earnings per share of common stock                        | <b>5,056</b>             | <b>10,176</b>            |
| 2. Diluted earnings per share of common stock                      | <b>5,056</b>             | <b>10,176</b>            |
| 3. Basic earnings per share of preferred stock                     | <b>5,111</b>             | <b>10,136</b>            |

# Consolidated Statements of Changes in Equity

Yuhan Corporation and Subsidiaries (in KRW)

Years Ended December 31, 2018 and 2017

|   | Capital stock  | Other paid-in capital      |                   |                       | Retained earnings | Other capital components | Controlling interest | Noncontrolling interest | Total             |
|---|----------------|----------------------------|-------------------|-----------------------|-------------------|--------------------------|----------------------|-------------------------|-------------------|
|   |                | Additional paid in capital | Treasury stock    | Other capital surplus |                   |                          |                      |                         |                   |
| Balance at January 1, 2017                                    | 56,943,670,000 | 95,219,976,623             | (164,921,919,266) | 20,531,735,579        | 1,411,161,804,670 | 77,617,087,435           | 1,496,552,355,041    | -                       | 1,496,552,355,041 |
| Net income  | -              | -                          | -                 | -                     | 109,034,185,953   | -                        | 109,034,185,953      | 602,472,805             | 109,636,658,758   |
| Other comprehensive income:                                   |                |                            |                   |                       |                   |                          |                      |                         |                   |
| Gains(losses) on evaluation of available-for-sale investments | -              | -                          | -                 | -                     | -                 | 4,698,262,820            | 4,698,262,820        | -                       | 4,698,262,820     |
| Gains(losses) on actuarial valuation                          | -              | -                          | -                 | -                     | (14,390,936,225)  | -                        | (14,390,936,225)     | (8,975,115)             | (14,399,911,340)  |
| Changes in retained earnings from the equity method           | -              | -                          | -                 | -                     | 5,716,674,014     | -                        | 5,716,674,014        | -                       | 5,716,674,014     |
| Total comprehensive income                                    | -              | -                          | -                 | -                     | 100,359,923,742   | 4,698,262,820            | 105,058,186,562      | 593,497,690             | 105,651,684,252   |
| Transactions with owners:                                     |                |                            |                   |                       |                   |                          |                      |                         |                   |
| Dividends   | -              | -                          | -                 | -                     | (20,545,509,400)  | -                        | (20,545,509,400)     | -                       | (20,545,509,400)  |
| Share repurchases   | -              | -                          | (1,056,371,400)   | -                     | -                 | -                        | (1,056,371,400)      | -                       | (1,056,371,400)   |
| Sale of treasury stock  | -              | -                          | 13,180,097,101    | -                     | -                 | -                        | 13,180,097,101       | -                       | 13,180,097,101    |
| Bonus issue   | 2,566,750,000  | (2,607,458,800)            | -                 | 5,388,184,559         | -                 | -                        | 5,347,475,759        | -                       | 5,347,475,759     |
| Change in consolidated entity                                 | -              | (1,411,146,037)            | -                 | 546,914,200           | 2,306,271,990     | -                        | 1,442,040,153        | 5,753,223,976           | 7,195,264,129     |
| Balance at December 31, 2017                                  | 59,510,420,000 | 91,201,371,786             | (152,798,193,565) | 26,466,834,338        | 1,493,282,491,002 | 82,315,350,255           | 1,599,978,273,816    | 6,346,721,666           | 1,606,324,995,482 |
| Effects of accounting change                                  | -              | -                          | -                 | -                     | 5,586,274,499     | (7,206,323,084)          | (1,620,048,585)      | -                       | (1,620,048,585)   |
| Balance at January 1, 2018 - After the change                 | 59,510,420,000 | 91,201,371,786             | (152,798,193,565) | 26,466,834,338        | 1,498,868,765,501 | 75,109,027,171           | 1,598,358,225,231    | 6,346,721,666           | 1,604,704,946,897 |
| Net income  | -              | -                          | -                 | -                     | 57,480,741,107    | -                        | 57,480,741,107       | 854,221,217             | 58,334,962,324    |
| Other comprehensive income:                                   |                |                            |                   |                       |                   |                          |                      |                         |                   |
| Gains(losses) on evaluation of available-for-sale investments | -              | -                          | -                 | -                     | -                 | 20,439,885,661           | 20,439,885,661       | -                       | 20,439,885,661    |
| Gains(losses) on actuarial valuation                          | -              | -                          | -                 | -                     | 254,522,644       | -                        | 254,522,644          | (166,895,017)           | 87,627,627        |
| Difference of overseas operations translation                 | -              | -                          | -                 | -                     | -                 | 140,412,843              | 140,412,843          | -                       | 140,412,843       |
| Changes in retained earnings from the equity method           | -              | -                          | -                 | -                     | 479,742,305       | -                        | 479,742,305          | -                       | 479,742,305       |
| Total comprehensive income                                    | -              | -                          | -                 | -                     | 58,215,006,056    | 20,580,298,504           | 78,795,304,560       | 687,326,200             | 79,482,630,760    |
| Transactions with owners:                                     |                |                            |                   |                       |                   |                          |                      |                         |                   |
| Dividends   | -              | -                          | -                 | -                     | (21,749,829,400)  | -                        | (21,749,829,400)     | (201,130,000)           | (21,950,959,400)  |
| Share repurchases   | -              | -                          | (12,327,529,640)  | -                     | -                 | -                        | (12,327,529,640)     | -                       | (12,327,529,640)  |
| Bonus issue   | 2,717,290,000  | (2,762,765,450)            | -                 | -                     | -                 | -                        | (45,475,450)         | -                       | (45,475,450)      |
| Change in consolidated entity                                 | -              | -                          | -                 | (507,989,718)         | -                 | -                        | (507,989,718)        | 3,164,685,203           | 2,656,695,485     |
| Others  | -              | 10,000                     | -                 | (480,609,400)         | 28,948,103        | (412,657,336)            | (864,308,633)        | 79,503,573              | (784,805,060)     |
| Balance at December 31, 2018                                  | 62,227,710,000 | 88,438,616,336             | (165,125,723,205) | 25,478,235,220        | 1,535,362,890,260 | 95,276,668,339           | 1,641,658,396,950    | 10,077,106,642          | 1,651,735,503,592 |

# Consolidated Statements of Cash Flows

Yuhan Corporation and Subsidiaries (in KRW)

Years Ended December 31, 2018 and 2017

|   | 2018             |                | 2017             |                 |
|---|------------------|----------------|------------------|-----------------|
|   |                  | 93,451,633,128 |                  | 126,125,107,517 |
| <b>I. Cash flows from operating activities</b>                    |                  |                |                  |                 |
| 1. Net income   | 58,334,962,324   |                | 109,636,658,758  |                 |
| 2. Adjustments  | 79,962,538,118   |                | 46,032,289,940   |                 |
| Severance and retirement benefits                                 | 23,082,284,735   |                | 19,248,442,952   |                 |
| Depreciation  | 54,024,007,967   |                | 49,164,020,533   |                 |
| Depreciation expenses on invested property                        | 796,992,400      |                | 860,972,984      |                 |
| Amortization expenses on intangible assets                        | 4,178,882,573    |                | 2,170,478,824    |                 |
| Bad debt expenses (reversal)                                      | 811,280,451      |                | (2,897,926,667)  |                 |
| Interest revenue  | (13,233,739,023) |                | (9,331,331,517)  |                 |
| Interest expense  | 3,669,086,156    |                | 4,615,616,080    |                 |
| Dividend income   | (1,263,400)      |                | (1,184,600)      |                 |
| Equity method gains   | (31,657,876,968) |                | (46,462,722,213) |                 |
| Reversal of losses on valuation of inventories                    | 190,993,457      |                | 741,948,507      |                 |
| Losses on disposal of short-term investments                      | 1,244,909,568    |                | 515,013,227      |                 |
| Gains on valuation of short-term investments                      | (79,166,070)     |                | (956,988,635)    |                 |
| Gains on valuation of long-term investments                       | (234,915,800)    |                | (6,588,000,000)  |                 |
| Losses on valuation of long-term investments                      | 3,424,238,701    |                | -                |                 |
| Losses on disposal of long-term investments                       | 5,300,000        |                | -                |                 |
| Gains on disposal of long-term investments                        | -                |                | (11,049,162,277) |                 |
| Impairment losses on long-term investments                        | -                |                | 4,922,513,714    |                 |
| Losses on disposal of investments in associates                   | 98,908,680       |                | -                |                 |
| Gains on disposal of investment stocks accounted in equity method | -                |                | (1,624,601,718)  |                 |
| Gains on disposal of Property, plant and equipment                | (2,164,077,364)  |                | (100,940,019)    |                 |
| Losses on disposal of Property, plant and equipment               | 4,977,017        |                | 6,643,725        |                 |
| Gains on disposal of intangible assets                            | (25,000,000)     |                | -                |                 |
| Losses on disposal of intangible assets                           | 257,350,000      |                | -                |                 |
| Impairment losses on intangible assets                            | -                |                | 5,500,000        |                 |
| Foreign currency translation gains                                | (978,063,236)    |                | (183,391,203)    |                 |
| Foreign currency translation losses                               | 294,583,269      |                | 4,048,777,234    |                 |
| Other foreign currency translation gains                          | (274,194,738)    |                | (100,888,932)    |                 |
| Other foreign currency translation losses                         | 325,986,942      |                | 1,064,302,723    |                 |

# Consolidated Statements of Cash Flows

Yuhan Corporation and Subsidiaries (in KRW)

Years Ended December 31, 2018 and 2017

|  | 2018             | 2017             |
|--|------------------|------------------|
| Income tax expense                         | 31,056,050,496   | 35,283,833,053   |
| Provision for others                       | 5,041,393,061    | 2,028,735,203    |
| Others                                     | 103,609,244      | 652,628,962      |
| 3. Total changes in assets/liabilities     | (59,141,645,627) | (45,434,184,153) |
| Increase in account receivable             | (59,502,568,276) | (55,589,285,661) |
| Increase(decrease) in other bonds          | (3,114,961,497)  | 4,443,996,331    |
| Decrease in inventory                      | 23,413,851,632   | 40,727,513,394   |
| Increase(decrease) in other current assets | (28,335,585,032) | 18,947,223       |
| Increase in other non-current assets       | (8,400,083,471)  | (872,778,168)    |
| Decrease in trade payable                  | (7,704,597,716)  | (45,682,616,823) |
| Increase in trade payable                  | 10,192,677,516   | 3,071,020,600    |
| Increase in other current liabilities      | 35,781,946,881   | 34,964,453,203   |
| Increase in other non-current liabilities  | 192,483,301      | 386,000,000      |
| Payment of severance benefits              | (11,216,830,214) | (5,615,553,237)  |
| Increase in plan assets                    | (12,555,560,359) | (20,432,108,845) |
| Decrease in provision for others           | (817,345,999)    | (936,117,577)    |
| Increase in provision for returns          | 2,924,927,607    | 82,345,407       |
| 4. Interest receivable                     | 15,119,532,519   | 9,431,471,883    |
| 5. Interest paid                           | (5,951,584,714)  | (5,444,798,140)  |
| 6. Dividend receivables                    | 42,798,992,834   | 49,462,042,310   |
| 7. Payment of corporate taxes              | (37,671,162,326) | (37,558,373,081) |

|  | 2018                    | 2017                    |
|--|-------------------------|-------------------------|
| <b>II. Cash flows from investing activities</b>                            | <b>(58,150,584,583)</b> | <b>(42,241,166,896)</b> |
| 1. Increase in short-term financial instruments                            | (10,961,300,422)        | (28,746,330,960)        |
| 2. Decrease in short-term financial instruments                            | 28,930,477,846          | 2,963,612,038           |
| 3. Purchases of short-term investments                                     | (184,161,307,150)       | (212,016,182,969)       |
| 4. Disposals of short-term investments                                     | 186,025,809,387         | 285,176,759,757         |
| 5. Increase in short-term loans  | (50,691,531)            | (85,000,000)            |
| 6. Decrease in short-term loans  | 43,000,000              | 130,000,000             |
| 7. Purchases of long-term investments                                      | (54,030,052,432)        | (44,250,784,122)        |
| 8. Disposals of long-term investments                                      | 63,277,398,828          | 14,005,237,550          |
| 9. Increase in long-term financial instruments                             | (36,000,000)            | (111,812,800)           |
| 10. Decrease in long-term financial instruments                            | -                       | 245,213,135             |
| 11. Purchases of investments in subsidiaries                               | (45,103,528,871)        | (5,025,268,000)         |
| 12. Purchases of Investments in associates and joint ventures              | -                       | 3,742,594,153           |
| 13. Disposals of Investments in associates and joint ventures              | (46,001,314,577)        | (56,772,073,882)        |
| 14. Purchases of Property, plant and equipment                             | 2,494,511,818           | 141,964,219             |
| 15. Disposals of Property, plant and equipment                             | (2,594,295,782)         | (3,138,458,472)         |
| 16. Purchases of intangible assets   | 745,968,185             | -                       |
| 17. Disposals of intangible assets   | 3,270,740,118           | 1,499,363,457           |
| 18. Increase in cash flows from change to the scope of consolidation       | -                       | -                       |
| <b>III. Cash flows from financing activities</b>                           | <b>(51,378,903,961)</b> | <b>(68,172,689,631)</b> |
| 1. Share repurchases   | (12,327,529,640)        | (1,056,371,400)         |
| 2. Sale of treasury stock  | -                       | 20,288,520,000          |
| 3. Provision of dividends  | (21,738,453,600)        | (20,545,509,400)        |
| 4. Dividends paid to non-controlling interests                             | (201,130,000)           | (201,130,000)           |
| 5. Bonus issue expenses  | (45,475,450)            | (40,708,800)            |
| 6. 비지배지분과의 거래  | 164,093,000             | -                       |
| 7. Increase in short-term borrowings                                       | -                       | 95,626,051              |
| 8. Decrease in short-term loans  | (1,927,908,271)         | (51,292,109,691)        |
| 9. Decrease in long-term current liabilities                               | (15,300,000,000)        | (5,421,006,391)         |
| 10. Decrease in long-term borrowings                                       | (2,500,000)             | (10,000,000,000)        |
| <b>IV. Net increase (decrease) in cash and cash equivalents</b>            | <b>(16,077,855,416)</b> | <b>15,711,250,990</b>   |
| <b>V. Cash and cash equivalents at beginning of year</b>                   | <b>256,607,486,669</b>  | <b>244,854,557,115</b>  |
| <b>VI. Changes in cash equivalents due to foreign currency translation</b> | <b>766,451,415</b>      | <b>(3,958,321,436)</b>  |
| <b>VII. Cash and cash equivalents at the end of year</b>                   | <b>241,296,082,668</b>  | <b>256,607,486,669</b>  |

# Independent Auditors' Report

English translation of a report originally issued in Korean

To the Shareholders and Board of Directors of  
Yuhan Corporation

## Opinion

We have audited the accompanying separate financial statements of Yuhan Corporation (hereinafter, the Company), which comprise the separate statements of the Company's financial position as of December 31, 2018 and December 31, 2017; the separate statements of comprehensive income, separate statement of changes in equity, and separate statement of cash flows for both respective years; and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as of December 31, 2018 and December 31, 2017, and its separate financial performance and cash flows for the year in accordance with Korean IFRS Standards.

## Basis of Audit Opinion

We conducted our audits in accordance with the Korean Standards on Auditing. Our responsibility, in accordance with these standards, is specified in the Auditor's Statement of Responsibility in Auditing the Financial Statements in this audit report. We are independent from the Company in accordance with the ethical requirements of the Republic of Korea in relation to auditing financial statements and have fulfilled our other ethical obligations in accordance with such requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our audit opinion.

## The Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with International Financial Reporting Standards as adopted by the Republic of Korea (Korean IFRS Standards), and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

## The Responsibility of the Auditor in Auditing the Financial Statements

Our purpose lies in producing an audit report that includes our opinion based on the reasonable assurance obtained as to whether the Company's financial statements as a whole are free from material misstatements due to fraud or error. Reasonable assurance means a high level of assurance, but does not guarantee that audits performed conforming to audit standards will always detect significant signs of material misstatements. Misstatements may arise from fraud or error, and if a misstatement is reasonably expected to affect, individually or collectively, the user's economic decision made based on said financial statements, the misstatement is considered material.

As part of the audit conforming to audit standards, we make professional judgments throughout the entire procedure of the audit and maintain a professional degree of skepticism. We also:

- Identify and evaluate risks of material misstatements in financial statements resulting from fraud or error and design and perform audit procedures to counter such risks. We also obtain sufficient and appropriate audit evidence as the basis for the audit opinion. As fraud can involve collusion, forgery, intentional omissions, misrepresentation, or the disabling of internal controls, the risk of not being able to detect material misstatements due to fraud is larger than the risk of error.
- Comprehend internal controls relevant to the auditing of financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- An audit also includes an evaluation of the reasonableness of disclosures related to accounting estimates made by the management board, as well as the appropriateness of the accounting policies used by the management board in preparing financial statements.
- Determine whether the management board's accounting assumptions for the Company as a going concern were appropriate or whether there exists any material uncertainty related to the events or circumstances which may cast significant doubt on the Company's ability to continue as a going concern based on the audit evidence obtained. If we conclude that such material uncertainty exists, we are required to draw attention in the audit report to the disclosure of such events in the financial statements and, if such disclosure turns out to be inappropriate, to change our audit opinion. Our conclusions are based on the audit evidence we have obtained as of the audit report date, but future events or circumstances could lead to the discontinuation of the Company as a going concern.
- Assess the overall presentation, structure, and content of financial statements, including disclosures, and assess whether transactions and events on which the financial statements are based are presented fairly in financial statements.

We communicate with the governing body about significant audit findings such as major shortcomings in the internal control practices identified during the audit process as well as the planned audit scope and duration.

We also provide the governing body with a statement that we are in compliance with ethical requirements mandating our independence from the Company, communicate all relevant relationships and other matters deemed relevant to our independence issues and, where appropriate, the relevant institutional safeguards with the governing body.

This auditors' report is based on the audit results conducted by Keun-young Chung, a Korean certified public accountant at Samil PricewaterhouseCoopers.

March 7, 2019

Samil PricewaterhouseCoopers  
Chairman/CEO  
**Young-Sik Kim**

This Auditors' Report is effective as of the reporting date, March 7, 2019. Accordingly, the report is subject to change or update due to potential and significant events or situations that can have a significant impact on the financial statements of the Group between the reporting date and the date of reading.

# Separate Statements of Financial Positions

Yuhan Corporation (in KRW)

December 31, 2018 and 2017

|   | 2018            |                          | 2017            |                          |
|---|-----------------|--------------------------|-----------------|--------------------------|
| <b>Assets</b>   |                 |                          |                 |                          |
| <b>I. Current assets</b>                                      |                 | <b>944,391,331,894</b>   |                 | <b>933,874,526,521</b>   |
| 1. Cash and cash equivalents                                  | 209,890,898,844 |                          | 218,400,839,071 |                          |
| 2. Short-term financial instruments                           | 10,015,675,393  |                          | 27,860,279,379  |                          |
| 3. Short-term investments                                     | 214,946,829,482 |                          | 208,520,251,626 |                          |
| 4. Trade accounts and notes receivable                        | 341,897,524,545 |                          | 279,580,293,878 |                          |
| 5. Accounts receivable  | 9,397,032,790   |                          | 7,910,965,630   |                          |
| 6. Short-term loans   | -               |                          | 35,000,000,000  |                          |
| 7. Inventories  | 120,950,428,887 |                          | 113,485,694,259 |                          |
| 8. Advanced payments  | 36,810,335,755  |                          | 42,643,821,300  |                          |
| 9. Prepaid expenses   | 482,606,198     |                          | 472,381,378     |                          |
| <b>II. Non-current assets</b>                                 |                 | <b>975,634,150,056</b>   |                 | <b>876,580,887,647</b>   |
| 1. Long-term financial instruments                            | 18,000,000      |                          | 18,500,000      |                          |
| 2. Long-term investments                                      | 151,593,560,287 |                          | 145,296,399,333 |                          |
| 3. Investments in subsidiaries, associates and joint ventures | 470,003,519,483 |                          | 384,888,126,920 |                          |
| 4. Property, plant and equipment                              | 208,704,336,650 |                          | 214,451,626,746 |                          |
| 5. Investment property  | 94,608,398,712  |                          | 101,103,647,465 |                          |
| 6. Intangible assets  | 25,807,471,467  |                          | 18,457,955,015  |                          |
| 7. Deposits Provided  | 18,605,766,000  |                          | 12,364,632,168  |                          |
| 8. Other non-current assets                                   | 6,293,097,457   |                          | -               |                          |
| <b>Total assets</b>   |                 | <b>1,920,025,481,950</b> |                 | <b>1,810,455,414,168</b> |

|  | 2018           |                          | 2017           |                          |
|--|----------------|--------------------------|----------------|--------------------------|
| <b>Liabilities</b>                       |                |                          |                |                          |
| <b>I. Current liabilities</b>            |                | <b>282,504,128,300</b>   |                | <b>245,508,009,981</b>   |
| 1. Trade accounts and notes payable      | 79,271,769,116 |                          | 91,566,010,806 |                          |
| 2. Accounts payable                      | 41,739,664,333 |                          | 35,375,568,296 |                          |
| 3. Accrued expenses                      | 31,518,028     |                          | 32,443,583     |                          |
| 4. Income tax payable                    | 26,031,319,774 |                          | 21,235,864,178 |                          |
| 5. Withholdings                          | 25,701,451,399 |                          | 22,606,752,614 |                          |
| 6. Guarantee deposit received            | 9,161,466,000  |                          | 11,749,186,000 |                          |
| 7. Advances received                     | 98,187,471,808 |                          | 62,942,184,504 |                          |
| 8. Other current liabilities             | 2,379,467,842  |                          |                |                          |
| <b>II. Non-current liabilities</b>       |                | <b>83,246,241,741</b>    |                | <b>76,956,144,248</b>    |
| 1. Net defined benefit liabilities       | 41,413,802,891 |                          | 41,673,920,721 |                          |
| 2. Refunds provision                     | 13,959,380,028 |                          | 6,671,916,958  |                          |
| 3. Other provisions                      | 10,389,320,905 |                          | 9,063,905,549  |                          |
| 4. Deferred income tax liabilities       | 16,168,737,917 |                          | 18,285,901,020 |                          |
| 5. Long-term guarantee deposits received | 1,315,000,000  |                          | 1,260,500,000  |                          |
| <b>Total liabilities</b>                 |                | <b>365,750,370,041</b>   |                | <b>322,464,154,229</b>   |
| <b>Equity</b>                            |                |                          |                |                          |
| <b>I. Capital stock</b>                  |                | <b>62,227,710,000</b>    |                | <b>59,510,420,000</b>    |
| 1. Capital stock-common                  | 61,046,770,000 |                          | 58,329,480,000 |                          |
| 2. Preferred capital stock               | 1,180,940,000  |                          | 1,180,940,000  |                          |
| <b>II. Other paid-up capital</b>         |                | <b>(49,356,050,694)</b>  |                | <b>(34,265,755,604)</b>  |
| <b>III. Retained earnings</b>            |                | <b>1,437,125,717,107</b> |                | <b>1,371,289,765,288</b> |
| <b>IV. Other reserve</b>                 |                | <b>104,277,735,496</b>   |                | <b>91,456,830,255</b>    |
| <b>Total equity</b>                      |                | <b>1,554,275,111,909</b> |                | <b>1,487,991,259,939</b> |
| <b>Total liabilities and equity</b>      |                | <b>1,920,025,481,950</b> |                | <b>1,810,455,414,168</b> |

# Separate Statements of Comprehensive Income

Yuhan Corporation (in KRW)

Years Ended December 31, 2018 and 2017

|  | 2018              | 2017              |
|--|-------------------|-------------------|
| I. Sales   | 1,506,765,993,129 | 1,451,988,375,808 |
| II. Cost of sales  | 1,098,212,173,012 | 1,048,516,624,545 |
| III. Gross profit  | 408,553,820,117   | 403,471,751,263   |
| IV. Selling, general and administrative expenses                   | 274,142,724,752   | 252,335,554,823   |
| V. Research and development expenses                               | 73,470,387,599    | 70,778,446,109    |
| VI. Operating profit   | 60,940,707,766    | 80,357,750,331    |
| VII. Other income  | 11,274,138,893    | 28,192,274,355    |
| VIII. Other expenses   | 15,404,943,419    | 16,706,933,597    |
| IX. Finance income   | 58,655,457,756    | 61,695,295,204    |
| X. Finance expenses  | 636,496,654       | 7,810,188,252     |
| XI. Profit before income tax                                       | 114,828,864,342   | 145,728,198,041   |
| XIII. Income tax expense   | 33,335,293,932    | 34,995,920,764    |
| XIII. Net income   | 81,493,570,410    | 110,732,277,277   |
| XIV. Other comprehensive income                                    | 20,945,821,971    | (10,484,766,942)  |
| Items that will not be reclassified subsequently to profit or loss | 20,583,927,558    | (15,183,029,762)  |
| 1. Gains(losses) on actuarial valuation                            | 505,936,310       | (15,183,029,762)  |
| 2. Gains(losses) on evaluation of available-for-sale investments   | 4,187,417,272     | -                 |
| 3. Gains(losses) on disposal of available-for-sale investments     | 15,890,573,976    | -                 |
| Items that may be reclassified subsequently to profit or loss      | 361,894,413       | 4,698,262,820     |
| 1. Gains(losses) on evaluation of available-for-sale investments   | 361,894,413       | 4,698,262,820     |
| XV. Total comprehensive income                                     | 102,439,392,381   | 100,247,510,335   |
| XVI. Earnings per share  |                   |                   |
| 1. Basic earnings per share (Common stock)                         | 7,169             | 10,277            |
| 2. Diluted earnings per share (Common stock)                       | 7,169             | 10,277            |
| 3. Basic earnings per share (Preferred stock)                      | 7,226             | 10,237            |

# Separate Statements of Changes in Equity

Yuhan Corporation (in KRW)

Years Ended December 31, 2018 and 2017

|   | Capital stock  | Other paid-in capital      |                   |                       | Retained earnings | Other capital components | Total             |
|---|----------------|----------------------------|-------------------|-----------------------|-------------------|--------------------------|-------------------|
|   |                | Additional paid in capital | Treasury stock    | Other capital surplus |                   |                          |                   |
| Balance at January 1, 2017                                    | 56,943,670,000 | 95,219,976,623             | (164,921,919,266) | 20,531,735,579        | 1,296,286,027,173 | 86,758,567,435           | 1,390,818,057,544 |
| Net income  | -              | -                          | -                 | -                     | 110,732,277,277   | -                        | 110,732,277,277   |
| Other comprehensive income:                                   |                |                            |                   |                       |                   |                          |                   |
| Gains(losses) on evaluation of available-for-sale investments | -              | -                          | -                 | -                     | -                 | 4,698,262,820            | 4,698,262,820     |
| Gains(losses) on actuarial valuation                          | -              | -                          | -                 | -                     | (15,183,029,762)  | -                        | (15,183,029,762)  |
| Total comprehensive income                                    | -              | -                          | -                 | -                     | 95,549,247,515    | 4,698,262,820            | 100,247,510,335   |
| Transactions with owners:                                     |                |                            |                   |                       |                   |                          |                   |
| Dividends   | -              | -                          | -                 | -                     | (20,545,509,400)  | -                        | (20,545,509,400)  |
| Share repurchases   | -              | -                          | (1,056,371,400)   | -                     | -                 | -                        | (1,056,371,400)   |
| Sale of treasury stock  | -              | -                          | 13,180,097,101    | 5,388,184,559         | -                 | -                        | 18,568,281,660    |
| Bonus issue   | 2,566,750,000  | (2,607,458,800)            | -                 | -                     | -                 | -                        | (40,708,800)      |
| Balance at December 31, 2017                                  | 59,510,420,000 | 92,612,517,823             | (152,798,193,565) | 25,919,920,138        | 1,371,289,765,288 | 91,456,830,255           | 1,487,991,259,939 |
| Balance at January 1, 2018                                    | 59,510,420,000 | 92,612,517,823             | (152,798,193,565) | 25,919,920,138        | 1,371,289,765,288 | 91,456,830,255           | 1,487,991,259,939 |
| Effects of accounting change                                  | -              | -                          | -                 | -                     | 5,586,274,499     | (7,206,323,084)          | (1,620,048,585)   |
| Balance at January 1, 2018 - After the change                 | 59,510,420,000 | 92,612,517,823             | (152,798,193,565) | 25,919,920,138        | 1,376,876,039,787 | 84,250,507,171           | 1,486,371,211,354 |
| Net income  | -              | -                          | -                 | -                     | 81,493,570,410    | -                        | 81,493,570,410    |
| Other comprehensive income:                                   |                |                            |                   |                       |                   |                          |                   |
| Gains(losses) on evaluation of available-for-sale investments | -              | -                          | -                 | -                     | -                 | 20,439,885,661           | 20,439,885,661    |
| Gains(losses) on actuarial valuation                          | -              | -                          | -                 | -                     | 505,936,310       | -                        | 505,936,310       |
| Total comprehensive income                                    | -              | -                          | -                 | -                     | 81,999,506,720    | 20,439,885,661           | 102,439,392,381   |
| Transactions with owners:                                     |                |                            |                   |                       |                   |                          |                   |
| Dividends   | -              | -                          | -                 | -                     | (21,749,829,400)  | -                        | (21,749,829,400)  |
| Share repurchases   | -              | -                          | (12,327,529,640)  | -                     | -                 | -                        | (12,327,529,640)  |
| Bonus issue   | 2,717,290,000  | (2,762,765,450)            | -                 | -                     | -                 | -                        | (45,475,450)      |
| Others  | -              | -                          | -                 | -                     | -                 | (412,657,336)            | (412,657,336)     |
| Balance at December 31, 2018                                  | 62,227,710,000 | 89,849,752,373             | (165,125,723,205) | 25,919,920,138        | 1,437,125,717,107 | 104,277,735,496          | 1,554,275,111,909 |

# Separate Statements of Cash Flows

Yuhan Corporation (in KRW)

Years Ended December 31, 2018 and 2017

|   | 2018                  | 2017                  |
|---|-----------------------|-----------------------|
| <b>I. Cash flows from operating activities</b>      | <b>80,926,432,147</b> | <b>48,520,504,211</b> |
| 1. Net income                                       | 81,493,570,410        | 110,732,277,277       |
| 2. Adjustments                                      | 38,802,699,237        | 5,914,224,331         |
| Severance and retirement benefits                   | 20,320,290,192        | 16,254,477,780        |
| Depreciation  | 29,441,010,537        | 23,296,051,552        |
| Depreciation expenses on invested property          | 717,333,127           | 781,039,211           |
| Amortization expenses on intangible assets          | 3,444,381,521         | 1,624,322,896         |
| Bad debt expenses (reversal)                        | 786,930,155           | (2,872,725,058)       |
| Interest revenue                                    | (14,110,377,029)      | (10,778,477,545)      |
| Dividend income                                     | (42,924,927,834)      | (49,587,977,310)      |
| Reversal of losses on valuation of inventories      | 950,623,675           | (270,834,595)         |
| Losses on disposal of short-term investments        | 1,244,909,568         | 515,013,227           |
| Gains on valuation of short-term investments        | (79,166,070)          | (956,988,635)         |
| Gains on disposal of long-term investments          | -                     | (11,024,641,070)      |
| Losses on disposal of long-term investments         | 5,300,000             | -                     |
| Gains on valuation of long-term investments         | (234,915,800)         | (6,588,000,000)       |
| Losses on valuation of long-term investments        | 3,424,238,701         | -                     |
| Impairment losses on long-term investments          | -                     | 4,922,513,714         |
| Gains on disposal of Property, plant and equipment  | (2,126,458,183)       | (56,345,819)          |
| Losses on disposal of Property, plant and equipment | 656,083               | 6,643,725             |
| Gains on disposal of investments in associates      | (21,091,200)          | (528,593,753)         |
| Gains on disposal of intangible assets              | (25,000,000)          | (10,318)              |
| Losses on disposal of intangible assets             | 17,350,000            | -                     |
| Impairment losses on intangible assets              | -                     | 5,500,000             |
| Foreign currency translation gains                  | (778,806,548)         | -                     |
| Foreign currency translation losses                 | 190,932,246           | 2,856,264,248         |
| Other foreign currency translation gains            | (274,194,738)         | (100,888,932)         |
| Other foreign currency translation losses           | 325,986,942           | 1,064,302,723         |

|  | 2018             | 2017             |
|--|------------------|------------------|
| Income tax expense                         | 33,335,293,932   | 34,995,920,764   |
| Provision for others                       | 4,830,746,316    | 1,893,711,009    |
| Others                                     | 341,653,644      | 463,946,517      |
| 3. Total changes in assets / liabilities   | (59,657,864,073) | (93,723,559,260) |
| Increase in account receivable             | (63,266,577,259) | (46,299,481,789) |
| Increase in other bonds                    | (1,333,063,807)  | (278,210,984)    |
| Increase in inventory                      | (8,415,358,303)  | (3,551,198,076)  |
| Decrease(increase) in other current assets | 5,744,728,497    | (15,079,015,148) |
| Increase in other non-current assets       | (8,171,195,826)  | (1,342,958,168)  |
| Decrease in trade payable                  | (12,253,923,924) | (29,031,848,474) |
| Increase in other payable                  | 9,979,677,815    | 3,126,454,338    |
| Increase in other current liabilities      | 35,776,766,089   | 22,023,777,864   |
| Increase in other non-current liabilities  | 30,000,000       | 386,000,000      |
| Increase in provision for returns          | 2,924,927,607    | 82,345,407       |
| Decrease in provision for others           | (760,899,090)    | (878,778,260)    |
| Severance benefits paid                    | (7,170,720,010)  | (3,420,270,390)  |
| Increase in plan assets                    | (12,742,225,862) | (19,460,375,580) |
| 4. Interest receivables                    | 14,833,097,247   | 9,198,003,806    |
| 5. Dividend receivables                    | 42,924,927,834   | 49,587,977,310   |
| 6. Payment of income taxes                 | (37,469,998,508) | (33,188,419,253) |

## Separate Statements of Cash Flows

Yuhan Corporation (in KRW)

Years Ended December 31, 2018 and 2017

|  | 2018                    | 2017                    |
|--|-------------------------|-------------------------|
| <b>II. Cash flows from investing activities</b>                            | <b>(55,912,787,986)</b> | <b>(39,634,000,869)</b> |
| 1. Decrease(increase) in short-term financial instruments                  | 17,917,976,040          | (20,288,520,000)        |
| 2. Purchases of short-term investments                                     | (184,161,307,150)       | (212,016,182,969)       |
| 3. Disposals of short-term investments                                     | 186,025,809,387         | 285,176,759,757         |
| 4. Purchases of long-term investments                                      | (54,030,052,432)        | (44,250,784,122)        |
| 5. Disposals of long-term investments                                      | 63,277,398,828          | 14,005,237,550          |
| 6. Decrease in short-term loans  | -                       | 5,000,000,000           |
| 7. Purchases of investments in subsidiaries                                | (7,011,861,692)         | (7,000,000,000)         |
| 8. Purchases of Investments in associates and joint ventures               | (45,103,528,871)        | (5,025,268,000)         |
| 9. Disposals of Investments in associates and joint ventures               | -                       | 3,742,594,153           |
| 10. Purchases of Property, plant and equipment                             | (33,282,286,266)        | (54,881,350,156)        |
| 11. Disposals of Property, plant and equipment                             | 2,444,136,364           | 79,519,909              |
| 12. Purchases of intangible assets   | (2,735,040,379)         | (4,217,097,152)         |
| 13. Disposals of intangible assets   | 745,968,185             | 41,090,161              |
| <b>III. Cash flows from financing activities</b>                           | <b>(34,111,458,690)</b> | <b>(1,354,069,600)</b>  |
| 1. Purchases of treasury stock   | (12,327,529,640)        | (1,056,371,400)         |
| 2. Disposals of treasury stock   | -                       | 20,288,520,000          |
| 3. Provision of dividends  | (21,738,453,600)        | (20,545,509,400)        |
| 4. Stock issue costs   | (45,475,450)            | (40,708,800)            |
| <b>IV. Net increase (decrease) in cash and cash equivalents</b>            | <b>(9,097,814,529)</b>  | <b>7,532,433,742</b>    |
| <b>V. Cash and cash equivalents at beginning of year</b>                   | <b>218,400,839,071</b>  | <b>213,724,669,577</b>  |
| <b>VI. Changes in cash equivalents due to foreign currency translation</b> | <b>587,874,302</b>      | <b>(2,856,264,248)</b>  |
| <b>VII. Cash and cash equivalents at the end of year</b>                   | <b>209,890,898,844</b>  | <b>218,400,839,071</b>  |

## Statements of Earned Surplus

Yuhan Corporation (in KRW)

Years Ended December 31, 2018 and 2017  
Confirmed disposal date: March 15, 2019  
Confirmed disposal date: March 16, 2018

|   | 2018                  | 2017                  |
|---|-----------------------|-----------------------|
| <b>I. Unappropriated earned surplus</b>                                 | <b>88,892,717,107</b> | <b>96,956,765,288</b> |
| 1. Unappropriated retained earnings carried over from the previous year | 1,306,935,888         | 1,407,517,773         |
| 2. Net income   | 81,493,570,410        | 110,732,277,277       |
| 3. Remeasurements of net defined benefit liabilities                    | 505,936,310           | (15,183,029,762)      |
| 4. Effects of accounting change   | 5,586,274,499         | -                     |
| <b>II. Appropriated retained earnings</b>                               | <b>87,021,975,400</b> | <b>95,649,829,400</b> |
| 1. Earned surplus reserve   | 2,300,000,000         | 2,200,000,000         |
| 2. Reserve fund for R&D and human development                           | 20,000,000,000        | 43,000,000,000        |
| 3. Reserve for facilities improvement                                   | -                     | 10,000,000,000        |
| 4. Reserve for gains (losses) on equity method                          | 32,000,000,000        | 8,700,000,000         |
| 5. Reserve for business extensions                                      | 10,000,000,000        | 10,000,000,000        |
| 6. Dividends  | 22,721,975,400        | 21,749,829,400        |
| Cash dividends  |                       |                       |
| Dividend per share (rate) / Common stock :                              |                       |                       |
| 2018 KRW 2,000 (40%)  | 22,251,156,000        | 21,279,010,000        |
| 2017 KRW 2,000 (40%)  |                       |                       |
| Dividend per share (rate) / Preferred stock :                           |                       |                       |
| 2018 KRW 2,050 (41%)  | 470,819,400           | 470,819,400           |
| 2017 KRW 2,050 (41%)  |                       |                       |
| <b>III. Retained earnings carried over to the subsequent</b>            | <b>1,870,741,707</b>  | <b>1,306,935,888</b>  |

## Best Brands

Yuhan Corporation's commitment to building trust with customers has remained steadfast over the past 93 years. As a result, we have built a corporate image of "Yuhan with Willow Tree Trademark, a symbol of trust." This simple phrase speaks volumes of our commitment toward the highest possible customer satisfaction through quality customer services under the slogan of honesty, credibility, and trust. We consider customer service our top priority, offering a superior customer experience through customer support center, claim report, and staff training.

|  |   |
|--|---|
|    |    |
| Beecom-C   | Megatruelabs  |
|    |    |
| Antiphramine   | Contac Gold   |
|  |  |
| Yuhan Vitamin-C 1000mg   | Zyrtec  |
|  |  |
| Rapicol  | Mag-B   |

|   |   |   |
|---|---|---|
|    |    |    |
| Elena   | Yuhanrox  | Arm & Hammer  |
|    |    |    |
| Yuhan Dental Care   | BOL   | Beautiful Detergent   |
|  |  |  |
| Wellness  | Happy Home  | Yuhan Gen   |
|  |   |   |
| New Origin  |   |   |

## Major Affiliates

Yuhan Corporation's affiliates are one family under the name of Yuhan, sharing the founder's philosophy of promoting public health, contributing to the national economy, and fulfilling the social responsibility. Our extensive business domains range from manufacturing and supplying medical supplies, such as pharmaceuticals, health hygiene, health supplements, APIs, and new drug R&D to lifestyle products such as beauty products, dental implants, and oral care products.



### YUHAN-CLOROX

Established as a joint venture with Clorox in 1978, Yuhan-Clorox has had its current name since 1993. Its main products include Yuhanrox Regular and Yuhanrox Fresh (household bleach), and Punclin (liquid drain dissolvent).



### YUHAN MEDICA

Established in 1982, Yuhan Medica engages in OTC medicine businesses and health supplement products.



### UCARLIX

Established in 1988, Ucarlix is the first company in South Korea to specialize in bathroom and hygiene management products. Its products include Calmic unit detergents for bathrooms, air fresheners, foam soaps, hand sanitizers, and seat cleaners.



### YUHAN-KIMBERLY

Established as a joint venture with Kimberly-Clark in 1970, Yuhan-Kimberly has been leading the domestic market in key businesses that include infant, children, and female products, household products, skin care and senior care, while exporting relevant goods to countries worldwide, based on world-class quality.



### JANSSEN KOREA

Established in 1983 as a joint venture with Belgium's Janssen Pharmaceutical, a subsidiary of Johnson & Johnson, Janssen Korea manufactures painkillers and medicines for central nervous system diseases, digestive, skin, and allergy troubles on its state-of-the-art GMP facilities.



### YUHAN CHEMICAL

Established in 1980, Yuhan Chemical exports world-class APIs produced on its latest warranty program and production line that meets cGMP standards to pharmaceutical companies around the world.



### ENSOL BIO SCIENCE

EnSolBio Science is a breakthrough therapeutic specialist based on bio bigdata. It is currently developing first-in-class drugs, including a degenerative disc drug, a degenerative arthritis drug, a TNBC anti-cancer drug, a drug for Alzheimer's disease dementia, and a type 1 diabetes drug.



### COSON CO., LTD.

COSON is a global beauty and cosmetics trend leader specializing in ODM/OEM, from research and development to manufacturing and consulting. By making use of its advanced R&D capacity, the company develops and manufactures world-class cosmetics.



### MG

Established in 2003, MG has specialized technologies in nutritional rehydration solutions, developing the nation's first 3-chamber bag products. It also produces MG Combi Solution, Lipid LCT, and rehydration solutions using its patented technologies.



### IMMUNEONCIA

ImmuneOncia was established in 2016 as a joint venture with U.S.-based Sorrento Therapeutics for R&D collaborations on its antibody cancer immunotherapy.



### ADDPHARMA

Founded in 2017, AddPharma is a subsidiary specialized in IMD R&D activities, such as compounds and release controllers. The company takes advantage of its IMD success know-how in its continued R&D efforts for health products.



### C&C CO., LTD.

C&C Co., Ltd. is an OEM and ODM company specializing in oral care products. Its competitive oral care experts and employees harness their industry-leading technologies to manufacture high-quality oral hygiene products, ensuring the highest possible customer satisfaction.



### YUHAN USA

Located in the bio-clusters of Boston and San Diego, Yuhan USA was established in 2018 in order to reinforce Yuhan Corporation's new drug pipelines. Its main business areas involve R&Ds, business opportunities exploration, and strategic investments.



### WARANTEC

Warantec is a dental implant manufacturer that the Korean government and a university hospital jointly developed in 1995, with its priority placed on clinical trial data over the past 15 years. The company manufactures and supplies Korea's first one-body implants, IU System, INEX System that prevents prosthetics complications to clients at home and abroad.



### YUHAN UZBEKISTAN

With the aim of entering Middle Asian countries to sell medical supplies, Yuhan Uzbekistan was established as a sales subsidiary in 2018. It sells OTCs and ETCs in local markets.



### YUHAN PHILIA

Yuhan Philia began as a beauty business unit under Yuhan Corporation. In 2017, it became independent as a subsidiary in order to better respond to rapidly changing lifestyle and beauty trends.

# History

Founded in 1926 under the business philosophy of "producing the best products, being a faithful taxpayer, and giving back to society," Yuhan Corporation is one of Korea's oldest and most established companies. Its century-old contribution to the health of mankind and quality of life through pharmaceuticals reflects a history of growth as a responsible corporate citizen that shares its profits with society and fulfills its responsibility to society as one of the most admired companies in Korea.

## 1926-69

| 1    | Challenge  |
|------|--|
| 1926 | Founded Yuhan Corporation  |
| 1929 | Relocated headquarters to YMCA, Jongno 2-ga, Seoul   |
| 1932 | Built new headquarters building in Sinmunno 2-ga, Seodaemun-gu, Seoul  |
| 1933 | Built Yuhan warehouse in Dalian, Manchuria, China  |
| 1936 | Incorporated as a limited liability company (LLC), and built a plant in Sosa, Gyeonggi-do                      |
| 1938 | Opened Los Angeles branch office in the U.S.   |
| 1939 | Opened Tianjin office and Shenyang branch office in China  |
| 1941 | Established Yuhan Trade Agency   |
| 1942 | Relocated headquarters to Sosa, Gyeonggi-do  |
| 1962 | · Completed headquarters building in Daebang-dong, Seoul<br>· Listed on the Korea Stock Exchange               |
| 1968 | Received Bronze Tower Order of Industrial Service Merit (as "Outstanding Taxpayer") from the Korean government |
| 1969 | Completed Yeongdeungpo Plant in Seoul  |

## 1970-89

| 2    | Expansion  |
|------|--|
| 1970 | · Established Yuhan-Kimberly<br>· Received MoranMoran Medal, Order of Civil Merit from the central government  |
| 1971 | · Dr. Ilhan New passed away<br>· Received posthumous Mugunghwa Medal, Order of Civil Merit from the Korean government<br>· Received presidential Commendation  |
| 1973 | Succeeded in the synthesis of Rifampicin for the treatment of tuberculosis   |
| 1977 | Established Yuhan-Clorox   |
| 1979 | Completed Anyang Plant   |
| 1980 | Established Yuhan Chemical, a joint venture with Korea Institute of Science and Technology (KIST)  |
| 1982 | · Established global joint ventures, Yuhan-SmithKline<br>· Yuhan-SP (Schering-Plough), and Yuhan-Cyanamid<br>· Completed Gyeongbuk branch office building  |
| 1983 | · Received Silver Tower Order of Industrial Service Merit from the Korean government for outstanding labor management cooperation<br>· Established Janssen Korea, a joint venture with Janssen Pharmaceutical of Belgium |
| 1984 | Completed Yuhan R&D Institute  |
| 1985 | Designated as the nation's first Korea Good Manufacturing Practice (KGMP) certified manufacturer   |
| 1987 | Acquired full ownership of Yuhan Chemical  |
| 1988 | · Yuhan R&D Institute certified as the nation's first Good Laboratory Practice (KGLP) certified testing organization<br>· Acquired full ownership of Yuhan-SmithKline and renamed as Yuckyung Medica                     |

## 1990-99

| 3    | Growth  |
|------|---|
| 1990 | Completed Chungnam branch office building   |
| 1991 | · Dr. Ilhan New posthumously received the inaugural True Entrepreneur Award from Chung-ang University<br>· Received distinguished service medal from Belgian Monarchy   |
| 1992 | Established Gujarat Themis Biosyn(GTBL) in India  |
| 1994 | · Received Quality Innovation Prize at the National Productivity Awards from Korea Productivity Center<br>· Exported YH439 liver disease medication technology to Gleran Pharmaceutical of Japan  |
| 1995 | · Established Yuhan-C&T<br>· Received grand prize at the Korean Corporate Culture Awards  |
| 1996 | · Invested in Q-Food<br>· Established Yuhan-Q Food<br>· Completed second research building of Yuhan R&D Institute in Yong-in, Gyeonggi-do   |
| 1997 | · Completed new headquarters building<br>· Completed Busan branch office building<br>· Designated as the nation's first Korea Government Scholarship Program (KGSP)-approved pharmaceutical company   |
| 1998 | · Designated as the Best Public Corporation by the Korea Stock Exchange<br>· Established Yuhan Medica by merging Yuckyung Medica with Yuhan Q-Food.<br>· Exported the world's first independently developed immunosuppressant solid injection technology to Schering-Plough of the U.S. |
| 1999 | · Received Silver Tower Order of Industrial Service Merit from the Korean government<br>· Received Investor Relations (IR) Award from Korea Economic Daily<br>· Signed contract on domestic sales of biological preparations for medical purposes with schering-plough                  |

## 2000-10

### 4 Responsibility

- 2000**
  - Signed pesticide sales agency contract with Clorox Korea
  - Exported YH1885 antibacterial substance technology to SmithKline Beecham
  - Received grand prize at the Korea HR Management Awards from Korea Management Association
  - Received distinguished service medal from Belgian Monarchy
- 2001**
  - Gunpo Plant certified as an environmentally friendly company
  - Merged Yuhan Medica with Yuhan-C&T
- 2002**
  - Received the grand prize at the National Productivity Awards from Korea Productivity Center
  - Named Good Company for New Management-Employees Culture by the Ministry of Labor (Prime Minister Award)
  - Gunpo Plant acquired ISO14001 certification
- 2003**
  - Received the Good Company Award from Citizens' Coalition for Economic Justice
  - Signed exclusive sales contract with GSK
  - Named Top 50 Companies in corporate governance index surveys by Corporate Governance Service
  - Ranked second in Good Image and Reputation Companies by Citizens United for Better Society
- 2004**
  - Ranked 42nd in the Corporate Responsibility Index survey by Financial Times
  - Completed the new construction of Ochang Plant
  - Late Dr. Ilhan New named Entrepreneur of the Month (Developed Ilhan New Road)
  - Yuhan Chemical completed FTC production building
- 2005**
  - Completed construction of new facilities for Yuhan R&D Institute in Giheung, Gyeonggi-do
  - Market capitalization exceeded KRW 1 trillion (ranking 75th among domestic listed companies)
  - Received Company of the Year award in the pharmaceuticals category by Korea CEO Association, the Ministry of Trade, Industry and Economy, and the Korea Chamber of Commerce and Industry

- 2006**
  - Completed Ochang Plant in Ochang, Chungcheongbuk-do
  - Ochang Plant approved for KGMP, and Giheung research institute certified for KGLP
  - Revanex additionally approved for gastritis and stomach ulcer
  - Received grand prize at New Medicine Development Awards for Revanex Tab. from Korea Drug Research Association
- 2007**
  - Launched Revanex Tab.
  - Received Silver Tower Order of Industrial Service Merit from the Korean government
  - Introduced compliance program (CP)
  - Received USD 50 Million Export Tower award from the National Tax Service on Trade Day
- 2008**
  - Declared vision to be a leading global health company
  - Signed licensing agreement with Shenzhen Zhijun Pharmaceutical of China for Revanex
  - Signed distribution agreement with Andromaco of Chile
  - Received USD 70 Million Export Tower award from the National Tax Service on Trade Day
- 2009**
  - Received environmentally friendly company certification
  - Signed exclusive domestic sales contract for AIDS drug with Gilead Sciences of the U.S.
  - Corporate bond credit rating upgraded from "A+" to "AA-"
  - Signed exclusive sales contract with Korea UCB
- 2010**
  - Ochang Plant received KOSHA 18001 and OHAS 18001 safety and health management-system certificates
  - Introduced extension of retirement age and reduced (peak) salary workshare
  - Received the Prime Minister award at the Good Company for New Management Employees Culture Awards
  - Signed sales and distribution contract with Boehringer Ingelheim Korea

### 5 Innovation

- 2011**
  - Signed exclusive contract for HBV disease medicine with Gilead Sciences
  - Signed contract for joint development of degenerative arthritis medication with Esoltek
  - Signed Trajenta sales and distribution contract with Boehringer Ingelheim Korea and Lilly Korea
- 2012**
  - Received Innovative Pharmaceutical Enterprise certification from the Ministry of Health and Welfare
  - Signed Pradaxa sales and distribution contract with Boehringer Ingelheim Korea
  - Made equity investment in Hanall Biopharma and Theragen Etx
- 2013**
  - Signed contract for the manufacture and supply of raw materials for hepatitis C treatments with Gilead Sciences
  - Received USD 100 Million Export Tower award on Trade Day
  - Received Gold Tower Order of Industrial Service Merit from the Korean government
  - Ranked first in terms of sales in the pharmaceutical industry
- 2014**
  - Made equity investment in MG
  - Sales reached KRW 1 trillion, a first in the domestic pharmaceutical industry
  - Ranked first in terms of sales in the pharmaceutical industry for the second consecutive year
- 2015**
  - Completion of the new Yuhan Klorox Hyangnam plant
  - Named one of the best performers in social value at the 2015 Korea Management Association Consulting's Korea Management Awards
  - Equity investments in Bioneer, CosOn, Genexine, and Bio Sound Lab
- 2016**
  - Equity investments made in PharmAbcine, Sorrento Therapeutics, NeoImmuneTech, Xenosco and C&C Co., Ltd.
  - Completion of Yuhan Chemical's Hwaseong Plant
  - Foundation of a joint venture, ImmuneOncia
  - Recipient of the Excellence Prize in the Image Value category at Korea Management Association Consulting's Management Awards

## 2011-Present

- 2017**
  - Equity investments in Warantec (35.1% share), Bio Phoa and AddPharma (91.3% share)
  - Established a beauty-specialized subsidiary called Yuhan Philia
  - Signed an agreement for co-promotion on Sovaldi and Harvoni with Gilead Sciences
  - Presidential prize (grand prize) at the Ministry of Trade, Industry, and Energy's Korea Productivity Awards
  - Recipient of the USD 200 Million Export Tower at the Ministry of Trade, Industry and Energy's 54th Trade Day ceremony
- 2018**
  - Nominated as one of the Most Admired Companies in Korea for a 15th straight year by Korea Management Association Consulting
  - Named an industry "All-Star" for a 15th consecutive year and the 15th year as the No. 1 company in the pharmaceutical industry
  - Equity investment (KRW 20 billion investment for 9.6% in shares) in Qingdao Severance Hospital
  - CEO Jung-hee Lee received the Gold Tower Order of Industrial Merit from the Ministry of Trade, Industry and Energy
  - Anti-bribery Management System certification from Korea Compliance Certification Assurance
  - Yuhan USA launched (KRW 2 billion investment for 100% shares)
  - Yuhan UZB launched (KRW 1 billion investment for 100% shares)
  - Equity investment in Bridge Bio (KRW 2 billion investment for 1.4% in shares)
  - Received the Innovative Pharmaceutical Enterprise certification from the Ministry of Health and Welfare
  - Equity investments in Good T-Cell (KRW 5 billion investment for 6.2% in shares)
  - YH14618 license-out (worth KRW 240 billion) to Spine Biopharma LLC
  - Lazertinib license-out (worth KRW 1.4 trillion) to Janssen Biotech
  - 2018 Grand Award Winner in the "Traditional" industry for Annual Reports at MerComm's 2018 Galaxy Awards
  - Excellence Prize in the Image Value category at the 2018 Korea Management Association Consulting's Korea Management Awards



Striding towards its lofty vision of contributing to the health and well-being of mankind, Yuhan Corporation is growing internationally to become a major global pharmaceutical company.

Following the founding philosophy of “contributing to Korea’s health and economic development while fulfilling its social responsibility,” Yuhan Corporation is working hard towards breakthrough therapeutic R&D and pharmaceutical exports for the global market.

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**HOMEPAGE**

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